

## NCB credit growth slumps on wary lending policy

REJAUL KARIM BYRON

Credit growth of the four nationalised commercial banks (NCBs) slumped to 0.37 percent in 2003, thanks to the banks' cautious lending policy.

The NCBs saw an average 8-9 percent annual growth in credit in the past few years.

But the situation changed last year following an agreement between Bangladesh Bank and the NCBs on restricting the credit growth to under five percent.

In June 2003, the central bank signed the agreement with the nationalised banks in line with the suggestions from the World Bank and International Monetary Fund.

The donors suggested restricting loan disbursement from NCBs, discouraging depos-

its and cutting their expenditure by 10 percent.

The agreement prohibited the NCBs from lending not more than 5 percent of a bank's paid up capital to any individual or company.

Accordingly, the NCBs stopped providing large loans individually since June last year and preferred syndicated financing along with private and foreign banks.

Moreover, they wrote off Tk 1,984 crore in bad loans in the first 9 months of the calendar year, resulting in a reduction in the total volume of loans.

December 2003 figures show that total credit of the four banks rose to Tk 38,782 crore, marking an increase of Tk 148 crore in twelve months.

However, the banks' emphasis on syndicated loans did not

yield desired result as clients were reluctant to take loans from several banks together.

Senior bankers in the NCBs attributed the clients' reluctance to the difference in interest rates of the nationalised, private and foreign banks.

Some private and foreign banks are also not interested in forming a syndicate with nationalised banks to provide large loans, they said.

Sonali Bank, the largest NCB, recorded a negative growth of 0.59 percent as the amount of loans disbursed by the bank in 2003 was Tk 93 crore less than that of 2002.

Janata, Agrani and Rupali banks however achieved 1.67 percent, 0.37 percent and 0.98 percent growth in credit last year.

The banks also remained

cautious in receiving deposits last year, resulting in a decline in deposit growth to 2.31 percent from usual 7-8 percent.

Total deposits in the NCBs rose to Tk 53,697 crore in December 2003 from Tk 52, 483 crore a year back.

Deposits at Rupali Bank grew 4.4 percent in 2003 while Sonali and Agrani banks achieved 3.8 percent and 1.61 percent growth. But Janata Bank posted a 0.32 percent negative growth in deposits.

Janata Bank sources said the bank discouraged deposits to reduce costs in banking operations that have increased due to less lending. "This strategy has helped increase our profits significantly," a JB official said.

Janata Bank posted an impressive Tk 212 crore profit last year while total profit of the three other NCBs amounted to only Tk 136 crore.



PHOTO: STAR

This file photo shows two workers carrying steel rod at a factory at Rupganj in Narayanganj. The country's steel and re-rolling industry is still fighting for survival as most of the apex trade body's recommendations on resolving their problems are yet to be implemented due to bureaucratic tangles. The Federation of Bangladesh Chambers of Commerce and Industry submitted the suggestions on January 10 to end a strike enforced by the mill owners in end-December.

## \$6m yarn industry to be set up in Comilla EPZ

UNB, Dhaka

Bangladesh and Taiwan will jointly set up a yarn industry in Comilla Export Processing Zone at a cost of \$6.072 million.

The industry, to be known as Nassa Shipping Limited, will be a joint venture project, said a BEPZA press release yesterday.

An agreement to this effect was signed between Bangladesh Export Processing Zones Authority (BEPZA) and the Nassa Shipping Ltd here on Tuesday.

The Nassa Shipping, which will employ 272 Bangladesh nationals, is expected to annually produce 24,691,000 pounds of yarn.

Member (Investment Promotion) of BEPZA AFM Solaiman Chowdhury and Director of Nassa Shipping M Nazul Islam Swapan signed the deal on behalf of their respective sides.

## Work on container terminal at Pangaon starts soon

### Shipping ministry meeting told

UNB, Dhaka

Work will start soon for building a container terminal on the Buriganga river at Pangaon to facilitate carrying cargo containers to the capital from the country's two seaports at low cost.

The construction work on the terminal will begin "in the shortest possible time", an official announcement said yesterday.

Chittagong Port Authority and Bangladesh Inland Water Transport Authority will jointly construct the terminal on about 28 acres of land through self-financing.

The decision came from a high-level meeting on review of

progress on implementation of projects undertaken for the organisations under the shipping ministry for fiscal 2003-04 and the ministry's future development plans.

The meeting, held in the conference room of the ministry yesterday with Shipping Minister Akbar Hossain in the chair, was informed that nine projects of the shipping ministry were included in the revised ADP for the current fiscal year, with a total outlay of Tk 22 crore.

The meeting directed the BIWTA to complete construction work on landing facilities and navigability development of a portion of the channel from Sadarghat to Ashulia Bridge

under a project taken up for introducing river-route around Dhakacity.

It emphasised the importance of intensifying the implementation work of New Mooring Terminal aiming to expedite the container-handling operations at the Chittagong Port. Directive was given to the authorities to implement the 33kv power substation project besides installation of equipment for the CPA.

Shipping Secretary Zilfiqar Haider Chowdhury, the chairmen of BIWTC, BIWTA, Chittagong and Mongla Port Authorities and Land Port Authority and other high officials were present at the meeting.

## BRRRI holds policy dialogue workshop

STAR BUSINESS REPORT

Bangladesh Rice Research Institute (BRRRI) held a daylong policy dialogue workshop on a study titled 'Pathways from Poverty: Processes of Graduating among Resource-poor Farm Households in Bangladesh' in Dhaka yesterday.

The study is a sub-project of Poverty Elimination through Rice Research Assistance (Pettra), a DFID-funded project that started in 2000.

International Rice Research Institute (IRRI) initiated the programme in collaboration with the BRRRI to improve the lifestyle of the resource-less farmers of Bangladesh.

Barbara Adolph, a researcher of Natural Resources Institute (NRI) of University of Greenwich, UK, described the objectives, concepts and methods of Pettra project.

Agriculture Secretary ASM Abdul Halim attended the inaugural ceremony. He urged the participating scientists to find out a stringent way of poverty alleviation.

Bangladesh Agricultural Research Council (Barc) Executive Chairman Md Nurul Alam, BRRRI Director General NI Bhuiyan and Pettra Project Manager Noel P Magor also spoke at the function.

Some 45 participants took part in the workshop.

## Maritime industry needs skilled manpower

### Seminar in Ctg told

STAFF CORRESPONDENT, Ctg

Speakers at a seminar have underscored the need for staff training on leadership and management for the long-term benefit of the maritime industry.

They suggested proper enforcement of International Safety Management (ISM) code, resource management and long-term employment in the industry.

Philip Wake from NI, UK and Captain Zillur Rahman Bhuiyan presented two keynote papers at the seminar organised by Nautical

Institute (NI), Bangladesh here on Tuesday.

The discussants quoting an international survey said only ten per cent of the shipping companies follow ISM code effectively.

The profitability of a voyage could decline significantly due to poor leadership at any level, they said stressing the need for training and increased co-operation and understanding between sea and shore staff.

The speakers also suggested reviewing the system of recruitment on voyage contracts through

manning agents, which they said is unable to bring long-term benefit for owners or staff or a particular vessel.

Chittagong Port Authority Chairman AMM Shahadat Hossain, Managing Director of Bangladesh Shipping Corporation Capt Azizul Haq and Director General of Shipping Capt AKM Ahsanul Azim, among others, spoke.

NI Bangladesh President Capt Quamrul Hossain chaired the seminar conducted by NI Bangladesh General Secretary Capt Mohiuddin Abdul Kadir.

## Russia needs Asian investment to develop Far Eastern region

AFP, Moscow

Russia needs substantial investment by its Asian neighbours if it is to be able to rapidly develop its Far Eastern region, Foreign Minister Igor Ivanov said in an opinion piece published Wednesday.

"The tangible presence of Asia in the Russian East is just as necessary for us economically as the integration of the Russian economy in the new Asian economic environment which is being formed," he said in an article entitled "Russia in Asia and Asia in Russia."

"This is our strategic task for the coming years, the solution of which would considerably intensify the economic development of Russia as a whole and not only its eastern regions," Ivanov said in the article published on the foreign ministry website.

Trade and economic ties between Russia and China have developed rapidly recently, he noted, pointing to an estimated volume of trade between the two

countries in 2003 at more than 15 billion dollars.

More than 80 percent of this was in the non-state sector, a marked contrast with the past, he added.

However there is still much room for improvement in Russian-Chinese trade and economic relations, Ivanov noted, singling out a lack of contacts between representatives of small and medium-sized business.

He also stressed the importance of interaction between Chinese projects for the revival of the industrial base in its northeastern region and programmes for the economic revival of the Russian Far East.

With a steady drain of population to European Russia, Russia's Far East region and its capital Vladivostok have turned increasingly towards neighbouring China, Japan and Korea as possible sources of investment and immigrant labour.

The volume of the region's economic ties with other Russian regions has dwindled significantly

as sky-high rail and air tariffs have forced the eastern provinces to turn to their Asian neighbours for supplies.

According to the unpublished results of a 2002 census, Russia's Chinese population has grown from just a few thousand in 1989 to 3.26 million, and regional officials say the new trade links with China have provided a lifeline after the collapse of Soviet-era industries.

Japan too is seen as a desirable economic partner, with increasingly frequent contacts taking place at the regional level.

Moscow and Tokyo are seeking to overcome a territorial dispute inherited from World War II in order to pave the way for greater Japanese involvement in developing the region's vast stock of natural resources.

Experts have warned that Russia could eventually lose sovereignty over its Far East regions, largely to the benefit of China, if it is unable to develop the region and consolidate its links with the rest of Russia.

## Steel industry shambles

# Red tape holds back FBCCI recommendations

M ABDUR RAHIM

The country's steel and re-rolling industry is still fighting for survival as most of the apex trade body's recommendations on resolving their problems are yet to be implemented due to bureaucratic tangles.

At the request of the finance minister the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) submitted the suggestions on January 10 to end a strike enforced by the mill owners.

Though the government agreed to implement the recommendations, nothing was done except the withdrawal of restrictions on ship scrap imports, industry insiders said.

"This is not enough. Other demands of the industry need to be met to help us survive," Ali Hussain, president of Bangladesh Re-rolling Mills Association told The Daily Star.

Earlier, only the ship-breakers could import ship scraps, main raw materials of steel and re-rolling industry. Following the FBCCI recommendations, the commerce ministry allowed steel industry people to import the scraps.

State-owned Titas Gas Transmission and Distribution Company has agreed to reduce the minimum charge of gas from 75 percent to 50 percent for the still industry but no step was taken to implement it, Ali Hussain said.

Examining the demands of mill owners, the FBCCI suggested the finance ministry to revise VAT structure and fixed the tax at Tk 1,500 from Tk 4,000 per ton of steel.

"The recommendations must be implemented immediately to ensure bread and butter to around one lakh people engaged directly and indirectly in this construction support industry," Ali Hussain said.

FBCCI Vice-president Abul Kashem Haider said the federation

of chambers has engaged a special officer to coordinate between the ministries concerned and still millers to implement the recommendations.

"We are approaching the ministries but administrative tangles have slowed down the implementation process. Even if the recommendations are implemented within a month it will take time to bring normalcy in market," he said.

Following assurance from the finance and commerce ministers, the mill owners called off their strike on January 11 ending a two-week production stoppage which triggered price rise in local market up to 30 percent.

Though price of steel products started falling after resumption of production in the mills, it is unlikely to return to pre-strike level due to a global price rise of about 20 percent, industry insiders predicted.

The country's 300 steel and re-

rolling mills produce about 20 lakh tons or half of the domestic demand. According to Board of Investment, country's current demand of steel products is about 40 lakh tons, which may go up to 51 lakh tons by 2007.

According to Export Promotion Bureau, the country earned about Tk 66 crore (over one crore US dollars) in 2002-2003 from export of steel and engineering products.

On the other hand, Bangladesh imported iron, steel and other base products worth over \$45 crore in 2002-2003 to meet the increasing demand. The only state-owned steel producer, Chittagong Steel Mills was shut down in 1999.

The crisis in steel industry is hurting the booming construction and small engineering sector. The demand of steel is growing because of increasing investment in infrastructure, construction, machinery, pipelines and other sectors.

## Bird flu crisis hits Japanese food industry hard

AFP, Tokyo

Bird flu outbreaks across Asia are hitting the Japanese food industry hard, with now-banned Chinese and Thai chicken imports accounting for 17 percent of domestic poultry consumption.

On Tuesday, five days after it banned Thai imports, Tokyo suspended poultry shipments from China as Beijing confirmed an outbreak of the lethal strain of H5N1 bird flu sweeping across Asia.

The move shocked food processing companies as well as

restaurant chains which have been looking to replace beef on their menus since the US confirmation of a case of mad cow disease led to a ban on US beef imports.

A spokesman at Japan's top frozen food maker Nichirei said Wednesday the import ban is "a severe blow," noting that quite a lot of the poultry it uses comes from Thailand and China.

"It costs more to use domestically-grown chicken," he said, adding that it is "hard to predict" how the situation will develop as the import ban is likely to con-

tinue for at least 90 days.

China and Thailand supply almost all of the processed poultry products used in popular dishes here such as "yakitori" skewered grilled chicken.

Japan's biggest beef-bowl restaurant chain, Yoshinoya D and C, introduced a 'yakitori bowl' as an alternative offering this month following the mad cow ban on imports of American beef but the chicken used in it is 80 percent Chinese and 20 percent Thai, a company spokesman said.

## Indonesia to ban shrimp imports from six countries

AFP, Jakarta

Indonesian will soon ban imports of shrimp from six countries accused by the United States of practising dumping, the minister of maritime affairs and fisheries said Wednesday.

The US administration this month launched an investigation into suspected dumping of shrimp by Brazil, China, Ecuador, India, Thailand and Vietnam.

"We hope that the (Indonesian) ban will rejuvenate the shrimping business which has been in the doldrums," minister Rokhmin Dahuri was quoted by the state Antara news agency saying.

## JOBS product development training starts

JOBS, a USAID-funded programme, recently started a month-long course to provide product development training on patchwork to workers who make quilt.

Under the auspices of Sector Development Programme of JOBS and Conexpo, some 30 semi-skilled workers are getting training on machine work, stitch with padding and hand quilting, says a press release.

After completion of the training workers will be able to produce export quality patchwork quilt products, according to the release.

## India allows free import of gold, eases customs rules

AFP, New Delhi

India allowed Wednesday the free import of gold into the country, the world's largest consumer of the precious metal, and eased customs duties on other goods to boost trade.

The move by the government came as it geared up for early national elections expected to be held in April or May.

"In keeping with demands from the trade we are allowing the free import of gold and silver into the country," said Commerce Minister Arun Jaitley while announcing India's interim

import-export policy for the fiscal year 2004-2005.

He said the government would issue a more far-reaching import-export policy after national elections to be held later this year.

Jaitley also told a news conference the government would allow the duty free import of professional equipment for the booming services sector.

India's ruling Hindu-nationalist BJP-led coalition government has pushed for national elections in April or May to capitalise on the country's robust economic growth and electoral gains in recent state polls.