

Bangladesh on track to achieve growth target

ADB quarterly economic update says

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Bangladesh is on track to achieve the target of 5.5 percent GDP growth this fiscal though the country continues to perform below its potentials, the Asian Development Bank (ADB) said in its latest quarterly economic update.

The bank said Bangladesh needs to upgrade its infrastructures including ports with requisite road and rail links to seize its full economic potentials, particularly in export-led manufacturing expansion.

However, the ADB's downward adjustment of GDP growth from their earlier prediction of 5.7 percent seems to depend on boro harvest this season.

There is also a pressing need to address governance issues including reducing corruption and checking law and order slides, the multilat-

eral lender said. "The growth performance will be underpinned by expansion in both domestic and external demands. We are expecting solid increases in government and private consumption," said the ADB economic update released yesterday.

About agriculture sector, the bank said though *aus* output was slightly lower last year, *aman* production, the second major crop, was exceptionally good with 3.6 percent growth relative to last year.

Though inferior seeds, fertiliser crisis and inadequate irrigation affected *boro* cultivation in some part of the country, *boro* harvest is expected to be good mainly due to an estimated three percent increase in acreage, ADB said.

The manufacturing sector sharply rebounded as indicated by

the turnaround in manufacturing exports, imports of industrial raw materials and expansion of industrial credit, observed the economic update.

During the first eight months of this fiscal, exports of two major manufacturing goods—garment and knitwear—increased 14 percent and import of industrial raw materials and intermediate goods by 22 percent, it mentioned.

Besides, the bank said, industrial term loan disbursements surged by 76 percent in the first six months of the current fiscal.

ADB further said infrastructure constraints, political disruptions particularly hartals and law and order slide continue to hamper industrial growth and investment in the country.

The update mentioned that

revenue collection during the first nine months of FY2004 increased by 9.2 percent over the same period of the previous fiscal but was still short of the target by 3.1 percent.

The revenue collection target was achieved during July-January period but collection in February and March were significantly (16.4 percent and 8.1 percent) below the targets, it added.

Despite the shortfall in revenue collection, the budget deficit in FY2004 is expected to be lower than the targeted 4.8 percent of GDP, principally on account of the shortfalls in implementation of annual development programme, the update said.

Inflation however declined from 6.7 percent in November 2003 to 5.8 percent in February 2004, it added.

LDCs must unite to protect their interests in WTO talks: ActionAid

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Least developed countries (LDCs) at the forthcoming WTO ministerial should reach a consensus on protecting their common interests, ActionAid Bangladesh, a non-governmental organisation, said in Dhaka yesterday.

Commerce and trade ministers from the LDCs will join the two-day meet in Senegal beginning tomorrow. European Union Trade Commissioner Pascal Lamy and WTO Director General Supachai Panitchpakdi will attend the conference.

Commerce Minister Altaf Hossain Choudhury, Commerce Secretary Suhel Ahmed and Bangladesh representative to WTO in Geneva will represent Bangladesh.

At a press briefing in Dhaka yesterday, ActionAid termed the Senegal meet 'very important' for the LDCs as it will be the largest gathering of the LDCs after the collapse of WTO ministerial held in Cancun last September.

The issues to be discussed in the meeting include agriculture, non-agricultural market access, cotton and Singapore issue.

But problems in the implementation of any treaty, special and differential treatment, movement of natural persons should also be discussed, said Ziaul Hoque Mukta, associate co-ordinator of the policy support unit of ActionAid.

Proton must be in Malaysian control: Mahathir

AFP, Kuala Lumpur

Malaysia's status as an auto manufacturer is in jeopardy if national car firm Proton is surrendered to foreign control, Proton adviser and ex-premier Mahathir Mohamad warned in remarks published Sunday.

Mahathir, who created Proton in 1983 as part of Malaysia's drive into heavy industry, also said the carmaker should not sell ailing British arm Lotus group but must aim to cut cost and improve quality and technology to be competitive.

In an interview with The Edge weekly, Mahathir acknowledged that a foreign partner for Proton was "crucial because we cannot come up with sufficient technology for ourselves."

But "the end result of selling Proton, stopping the national car, would be Malaysia as an assembler of motor cars for Malaysia alone," he warned.

"Not even for the rest of the world because it is cheaper to assemble cars in other countries where cost of labour is low," he said, adding that many people would also lose their jobs and supporting industries would shut down.

Analysts have said it would be a long hunt for Proton unless the government was willing to trade in its dream of a national car industry for a pragmatic foreign tie-up.

But Mahathir, recently appointed adviser to the company after retiring last October, said he believed foreign carmakers would still be keen in an alliance without a majority stake because "Proton's capabilities are quite attractive."

"About four or five (foreign) companies have been talking to Proton," he said but declined to give details.

DCCI proposes Tk 3000cr govt fund to finance RMG backward linkage industries

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Dhaka Chamber of Commerce & Industry (DCCI) has requested the government to create a Tk 3,000 crore fund for financing backward linkage industries of the ready made garment (RMG) sector at six to seven percent interest rate.

"Without having adequate backward linkage industries, RMG export would be seriously affected after 2004...and it will not be possible to avert a slump in export earning," the chamber said in its budget proposal for 2004-2005 fiscal.

In the proposal the DCCI called for reforming the duty structure and maintaining a stable policy, saying if there are frequent changes in tax policy, it leads to economic mismanagement and creates sufferings to businesspeople.

As South Asian Free Trade Area (Safra) is going to be implemented in 2006 and free trade deals are being negotiated with a number of countries, DCCI suggested diversi-

ifying the export basket and making industrial base stronger.

For this, the chamber said, the four-tier duty structure should be changed starting with the lowest 2.5 percent duty for basic raw materials, capital machinery, pharmaceutical products and some essential goods.

Duty for intermediate goods and raw materials that are not produced locally should be 15 percent, duty for those produced locally should be 20 percent and for imported luxurious goods 30 percent, the DCCI recommended.

It also proposed raising the individual income tax exemption limit to Tk 125,000 from existing Tk 90,000 in view of the inflationary trend.

The DCCI said developing infrastructure including gas, water and the electricity should be given priority by undertaking pragmatic plans with adequate funds.

About value added tax (Vat), the chamber said Vat should be realised on the basis of actual sales

value recovered from customers in line with universal practice.

Terming the country's existing pre-shipment inspection (PSI) system 'distorted', the DCCI said it should be replaced by an appropriate and optional PSI regime, putting an end to the monopoly of a single agency for one particular area.

It would expedite the transition of customs into an efficient and credible administration and trade facilitation agency, it observed.

The DCCI said audit firms should be appointed to monitor the activities of PSI companies, which must have insurance coverage to compensate the importers for their losses.

"Import duty on sugar should be reduced to 15 percent from present 30 percent," the chamber recommended saying steps should be taken to improve the present situation in sugar production by privatising the mills partially (at least 51 percent) and giving subsidy in sugarcane production.

New DMD of Grameen Bank



Dipal Chandra Barua has been promoted to the position of deputy managing director of Grameen Bank.

Prior to this promotion, he was the general manager of the bank, says a press release.

He joined as project officer in Grameen Bank in 1979. He also served as zonal manager and deputy general manager of the bank.

Deals signed for Tk 278cr German grant

UNB, Dhaka

Germany will provide a grant of 40.6 million euro equivalent to Tk 278 crore for development of energy and infrastructure under two agreements signed yesterday.

German Ambassador Dietrich Andrew and Economic Relation Division Secretary Mirza Tasadduq Hussain Beg signed the agreements.

Germany has so far provided 2.25 billion euro in different projects and development programmes aiming at reducing poverty, said a press release.

Subsidies, drought to hit Sri Lankan economy

AFP, Colombo

Subsidies promised by Sri Lanka's new leftist government could undermine economic growth while uncertainty prevails over a fragile truce with Tamil Tiger rebels, analysts say.

The Central Bank of Sri Lanka brought down its growth forecast for 2004 from 6.0 percent to 5.5 percent, but private analysts say even that would be optimistic if the Marxist-backed regime made good on welfare pledges.

The privately-run Lanka Business Online (LBO) said the country will be hard pressed to meet its key targets due to higher crude oil prices, the drought and new welfare measures that put a squeeze on the public purse.

"With a drought expected to drag on until October or so, it will hit agricultural production, forcing the government to give some sort of drought relief," said Vajira Premawardhane, a research manager at Lanka Orix Securities.

"If power cuts kick in we may see growth falling to around 4.5 percent."

The new government has promised 30,000 jobs within three months in contrast to the previous administration's plan to trim spending by offering a voluntary retirement scheme to 300,000 state-sector employees.

The government also raised a fertilizer subsidy by 1.3 billion rupees (13.26 million dollars) without announcing new revenue measures to meet the unexpected expenditure.

Businesses seek revision of account trade deal with Myanmar

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Business leaders have urged the government to revise the account trade agreement with Myanmar saying the deal is not helpful to augment bilateral trade.

At a joint meeting held recently at the Export Promotion Bureau (EPB), they urged the government to involve private sector in making such a deal to ensure proper implementation and achieve the goal.

Implementation of the agreement was slow because the private sector was not involved in the official talks when terms of references of the agreement were finalised, said Rashed Maksud Khan, chairman of Bangladesh-Myanmar Business Promotion Council.

Presiding over the meeting, Khan said many flaws were detected in the deal in the implementation process. "Therefore, there should be private sector

involvement in preparing such agreements," he recommended.

He said the limit of US\$ 1 lakh only and reconciliation period of six months in case of letters of credit against account trade would be totally unworkable. "The volume of trade would be so low that it would not be feasible to do business profitably."

Abdul Awal Mintoo, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said the limit should be enhanced to at least \$5 lakh and the reconciliation time should be brought down to two months.

Referring to the market and population of Myanmar, the FBCCI chief said there is huge potential of setting up industries in Bangladesh based on the raw materials available in Myanmar such as limestone and agro-products.

The FBCCI would take up the issues of account trade with the

government and expedite the roadlink development projects, he said.

Fazle RM Hasan, president of Dhaka Chamber of Commerce and Industry (DCCI), said Myanmar entrepreneurs should be encouraged to invest in Bangladesh preferably in the field of gas and gas-based industry, cement, infrastructure and agro-based industries.

Amir Humayun Mahmud Chowdhury, president of Chittagong Chamber of Commerce & Industry (CCCI), proposed revision of the account trade agreement.

The CCCI president stressed the need for constructing a bridge on the river Karnaphuli and observed that without the development of internal communication it would be useless to develop roadlinks with Myanmar.

Mostafa Mohiuddin, director of EPB, also spoke in the meeting.



Dhaka Bank Limited Deputy Managing Director Mohammad Abu Musa, executive vice-presidents Alauddin Al-Azad, Golam Hafiz and Shamshad Begum pose for photographs with the participants of an executive development programme on "Small & Medium Enterprises (SME) Banking in Dhaka Bank Limited" held recently in Dhaka.

Investors on edge as Indian political future looks less rosy

AFP, New Delhi

Just one month ago, it seemed nothing could go wrong for India with economic growth rocketing and Prime Minister Atal Behari Vajpayee's reform-minded government looking like a shoo-in for re-election.

Now, all bets are off after exit surveys last week from the marathons polls pointed to a hung parliament and spooked the stock market into plunging nearly four percent, its biggest one-day loss in three years - larger even than after the 9/11 attacks in the United States.

The market soared 73 percent in 2003, helped by a record more than seven billion dollars from foreign investors and forecasts economic growth would top eight percent this year.

Should investors now be fearful politics could take centre stage? "The markets are right to take fright," said Saumitra Choudhury,

economic adviser to ICRA, a leading Indian credit rating agency.

"Everyone was so convinced there would be no hitch" in Vajpayee's Bharatiya Janata Party (BJP) forming a strong majority government with the help of allies, he said. "Now these results have thrown open a whole range of other possibilities the markets hadn't factored in."

Results of the five-phase elections in the world's biggest democracy of over one billion people will be known May 13. But the horse-trading to form a coalition government could drag on for weeks if there is no clear winner.

While the exit polls vary in projected seat tallies, they all show the same trend - a much tighter race than initially forecast, analysts say.

The fear of investors is not that a BJP-led government will be replaced by a coalition led by the opposition Congress which began

the drive to liberalise the economy in 1991 and has several pro-reform ex-finance ministers in its ranks.

"There cannot be a more pro-reform face (Congress party) than this," Congress economic spokesman Jairam Ramesh said.

Rather, investors worry which ever national party forms a government, it might be so weakened by demands from reform-hostile allies it would need to keep it in power, it could not push ahead aggressively with India's economic makeover and open the country to competition and foreign investment.

"If there are problems, they'll have to spend a lot of time keeping the flock together and everything from privatisation to tax reforms would suffer," Bidisha Ganguly, Confederation of Indian Industry chief economist said.

"It could be a very messy scenario," she said.

Siemens mobile phones to go on sale in China

AFP, Munich, Germany

The German technology giant Siemens is poised to sign a deal with China which will allow it to sell its mobile phones throughout the country, the Frankfurter Allgemeine Zeitung (FAZ) newspaper reported in its Sunday edition.

The paper said Siemens will sign Tuesday a contract with the Chinese manufacturer Ningbo Bird during an official visit to Germany between May 2 and 5 by Chinese prime minister Wen Jiabao, who is making a European tour.

At present Siemens is only represented in the largest Chinese cities, the FAZ says, adding that other German companies, such as Bayer, Degussa and Infineon are expected to sign partnership contracts with Chinese firms during Wen's visit.

China wants to double trade with Germany, its largest European business partner, by 2010, and seeks closer cooperation in the high technology field, Wen said before his visit to Germany.

WTO diplomats for meaningful effort to restart trade talks

AFP, London

WTO negotiators from the United States, the European Union, Brazil, Kenya and South Africa said after meeting in London Saturday that "meaningful effort" was needed to move forward stalled global trade talks.

"Ministers agreed that to achieve the full promise of economic development and global growth within the Doha development agenda, meaningful effort was necessary across the three core areas of agriculture, goods and services," a US official told AFP after the informal meeting.

The get-together, which began over dinner Friday night, was described by the official as "constructive and productive".

"The atmosphere was one of open exchange about priorities for moving forward the Doha development agenda in the short time period ahead," he said.

The meeting was hosted by US trade representative Robert Zoellick, and involved EU trade commissioner Pascal Lamy, Kenyan Trade Minister Mukhisa Kituyi, his South African counterpart Alec Erwin and Brazilian Foreign Minister Celso Amorim.

According to EU officials, the goal was to define a package of proposals that would incite the G90 group of 90 developing nations to make the so-called Doha round of global trade talks a success. The aim, they said, was to successfully conclude the Doha round by January 1, 2005.

The trade negotiations have been on the back burner since the failure of a World Trade Organisation (WTO) ministerial meeting in Cancun, Mexico, in September 2003.

Kituyi represented the G90 on Saturday, while Erwin and Amorim are leading members of the G20, a group of 20 large developing countries which emerged at the Cancun meeting as a major actor in global trade talks.

A major concern of the G90 countries, most of which are African, is that a broad lowering of trade barriers as part of the Doha round would erode preferential access they currently enjoy to developed countries' markets.

The US official said that further informal meetings were planned between negotiators in the coming months.

India's bond investors may limit investments

REUTERS, Bombay

Indian bond investors are expected to limit investments this week as they wait for more clues on the outcome of ongoing national elections and on global interest rates, traders said.

"The election is the main concern. We are not worried about which party wins, but we don't want a hung parliament," said Parthasarathi Mukherjee, senior vice president at UTI Bank.

"Whoever comes to power will take the economic reforms process forward, but the pace could slow if the government is weak. A weak government will find it difficult to take the tough decisions required."

Mukherjee expected yields to keep to a narrow range, with the key 10-year IN10YT RR hovering between 5.1000 and 5.1500 percent. This bond's yield closed the week at 5.1164 percent compared with 5.0797 percent a week earlier.

The election is being keenly fought by the NDA coalition, led by the Hindu nationalist Bharatiya Janata Party, and the Congress and its allies. During its five-year term, the NDA pushed ahead with politically difficult reforms such as privatisation, which helped it augment revenues, borrow less and contain its deficit.

After raising around \$3 billion via stake sales in state-run firms in March, the government was able to cancel a bond float it had planned for April.