

# Banks write off Tk 54.3b bad loans last year

## STAR BUSINESS REPORT

Commercial banks have written off Tk 54.30 billion bad loans up to December 2003 following the central bank's guidelines, bringing down the share of default loan to 22.16 percent of the total loan, which was 28.1 percent a year ago.

Besides the writing off, vigorous move to recover default loans following the enactment of Money Loan Court Act, 2003 contributed significantly to the decrease in bad loans, according to a publication of the Finance Division on the activities of banks and financial institutions in 2003-04 fiscal year.

Under the new legislation, banks were given the authority to sell the property kept as collateral against loan, without prior

approval of the court, it said.

The central bank this fiscal year adopted a policy to write off the bad loans which exceeded five years after being classified and asked the banks to follow the guidelines in order to lower the share of default loan in the total loans.

A major chunk of loans was written off by the nationalised commercial banks following the internationally practised tool of clearing the balance-sheet. "However, writing off does not refer to waiving loans," a senior official of a commercial bank said.

Meanwhile, in FY 2003-04 nationalised banks planned to disburse Tk 43.79 billion in the agricultural sector out of which Tk 20.53 billion was disbursed in the

first eight months. The amount disbursed in the previous year (FY 2002-03) was Tk 35.61 billion.

The report mentioned that interest rate on farm loan has been lowered to eight percent from 9 to 10 percent previously and the government also waived interest on principle amount of agricultural loans not more than Tk 5,000.

During the first six months of this fiscal, the banks disbursed term loan of Tk 31.77 billion in industrial sector which was Tk 14 billion (78 percent) higher than the amount disbursed during the same period of the previous fiscal.

The share of classified industrial loans in the total amount was 27.28 percent in December 2003, which was 32.76 percent in December 2002.

The report also mentioned that Bangladesh Bank granted licence to 28 non-bank financial institutions until March this year and the cumulative amount of paid up capital and reserves of these institutions was Tk 9.86 billion at the end of last fiscal.

Till February 2004, these financial institutions commercially invested Tk 38.25 billion in different sectors, it said.

Meanwhile, deposits of the commercial banks shot up by Tk 59.91 billion in the first eight months to stand at Tk 1125.88 billion while total loan disbursement reached Tk 901.83 billion showing an increase of Tk 69.19 billion over the same period of last fiscal.

## Siemens launches customer care campaign

Siemens Bangladesh Ltd has launched a two-week customer care campaign for its mobile set users from Thursday.

Peter E Albrich, managing director and CEO of the company, inaugurated the campaign at Siemens House in Gulshan, says a press release.

Aminur Rashid, head of Consumer Products, and Aftab Mahmud Khurshid, manager, Corporate Communications and Business Development, were also present.

During the campaign, the company offers free download of logo, ring tones and software upgrade.

Besides, up to 25 percent discount is offered on all spare parts, battery, charger, belt clip, head set and shells.

Customers will also get instant gifts for every purchase.

## ROK prepares \$5b economic stimulus

AFP, Seoul

South Korea's finance and economy minister said Friday that the government will seek nearly five billion dollars in supplementary spending to help stimulate the flagging economy.

At the same time, the Bank of Korea said domestic demand showed few signs of recovery in the second quarter to June while exports were expected to lose steam from September.

"We have agreed with the Ministry of Planning and Budget and the ruling Uri Party to seek 4.5 trillion won (4.9 billion dollars) in an additional budget," Finance and Economy Minister Lee Hun-Jai at a press conference.

Of the 4.5 trillion won, 1.7 trillion won will be spent on helping the poor and underprivileged, 1.3 trillion won will support small- and mid-sized firms and 1.4 trillion won will encourage energy conservation.

Lee admitted that domestic consumption and investment were "in the doldrums" and that unemployment remains high despite strong exports.

## US trade deficit explodes to record level

AFP, Washington

The broadest measure of the US trade deficit exploded to a record 144.9 billion dollars in the first quarter of 2004, the Commerce Department said Friday.

The current account deficit -- tracking trade, income from investments and foreign workers, and one-way transfers -- mushroomed from a gap of 127.0 billion dollars the previous quarter.

It easily surpassed the 140-billion-dollar deficit predicted by private economists.

The dollar dropped immediately. The euro rose to 1.2076 dollars from 1.2045 a few minutes before the news.

A breakdown for the quarter showed:

-- The shortfall in trade of goods and services bulged 9.1 percent to 136.9 billion dollars.

-- The United States' surplus in income shrank 21.6 percent to 12.7 billion dollars.

-- One-way transfers resulted in a net outflow of 20.6 billion dollars, up 17.0 percent from the previous quarter.

## VAT on amusement park business to hurt customers

UNB, Dhaka

The imposition of 4.5 percent VAT would put a brake on growing amusement-park business and the cost would ultimately have to be borne by the customers, says an executive of a park.

"The newly proposed VAT on all amusement parks and other similar businesses will certainly affect the future of this sector and also the general people," said Asif Hossain, marketing director of Nandan Group.

He termed it a "non-industry-friendly fiscal policy" and said such unfriendly policies would hold back the existing operators from going for further expansion or investment and discourage or

deter new investment.

And that will ultimately have a negative impact on the growth of this sector.

"Our expectations from the government include a better stable political and economic condition, more improved law and order situation, further development of infrastructures, and most importantly industry-friendly fiscal policies," Asif told the news agency.

The budget for 2004-05 fiscal has proposed 4.5 percent value-added tax on amusement-park business, which has started taking off with the import of latest innovations.

Nandan has been only about 8 months into the business and the

venture is, as Asif said, "moderately successful in terms of the response we have received from the visitors. And the trend looks positive for the future."

The Group has invested a total of Tk 30 crore. Since November 2003, some 4 lakh visitors have enjoyed the fantasies inside the Nandan-dom.

Head of Operation of Nandan Shah Hussain Dilder Sagar said smooth operation of the park very much depends on stable supply of electricity. But a constant and daily load-shedding problem extremely hinders the operation.

Nandan's main competitors in the amusement park sector are Fantasy Kingdom, Wonderland, Shishu Park and Shishu Mela.

## US vows tough enforcement of trade laws on China

REUTERS, Washington

US commerce secretary Don Evans vowed "tough" enforcement of US trade laws yesterday, one day before his department is due to make a preliminary decision whether to impose potentially massive import duties on wooden bedroom furniture from China.

"We are going to continue to look American workers in the eye... and tell them we are going to be tough when it comes to enforcing our trade laws and maintaining a level playing field with the rest of the world. And China is certainly right there at the top of the list," Evans said in an interview on CNBC.

Twenty-seven US companies

and four unions in Virginia, North Carolina and 12 other states have asked for duties from 158 percent to 441 percent to offset what they say is "dumping" by Chinese competitors. The case, which involves imports of more than \$1 billion worth of furniture, is the biggest US anti-dumping action yet brought against China.

"That announcement will be made tomorrow," Evans said, when asked how his department would come down on the issue. "It'll be preliminary... It's part of the process of continuing to enforce our trade laws."

The case has polarised the US furniture industry, with several retailers cutting ties with former manufacturing partners that sup-

port the anti-dumping movement.

In preparation for possible duties, some US furniture sellers have been stocking up on Chinese-made inventory, while others have rolled out American-made bedroom lines they are betting will be more competitive if heavy duties are imposed.

A spokesman for Democratic presidential candidate John Kerry said the Bush administration had a poor record of enforcing US trade laws.

"We've been hearing the same song and dance from the Bush administration for three years, but the fact is that this White House has yet to meet a trade law it is willing to enforce," Kerry spokesman Phil Singer said.

## New IMF chief set for significant visit to Asia

AFP, Washington

IMF chief Rodrigo Rato heads for Asia next week in his first official trip since taking the helm of the fund, underscoring the region's key role in maintaining economic and financial stability.

His trip is also significant because his itinerary includes Japan, where a tentative economic recovery is taking shape after a decade of stagnation, and China, which is trying to reign in an overheating economy and stave off pressure to free its currency.

The respected former Spanish finance and economy minister, who took over as managing director of the International Monetary Fund this month for a five-year term, will be in Tokyo June 21-22 and in Beijing the following two days.

He will also visit Southeast Asia's financial hub Singapore on June 25 and the next day go to Vietnam, which is facing an uphill task of qualifying this year as a member of the World Trade Organization.

Rato will meet with leaders and senior government officials of these countries and receive feedback on the IMF's effectiveness in dealing with challenges of the global economy, an IMF statement said.

"It is rather encouraging that his

first official trip is to Asia, which is very important, because in the past, my perception was that the IMF was more interested in Europe and America than affairs in Asia," said Edward Lincoln, a Washington-based senior fellow at the influential Council on Foreign Relations.

There is still considerable frustration in East Asia over mistakes the IMF made in containing the region's worst financial crisis in 1997-98, he said.

"Probably many people will still agree that the IMF needs to understand more on how Asian economies operate," said Lincoln, an expert on the Japanese economy and US economic relations with Japan and Asia.

Rato has expressed his desire for Asia to enhance structural reforms and keep markets open.

In Japan, he is expected to advise the government not to change monetary policy, Lincoln said.

Japan, the world's second largest economy, has kept interest rates very low and expanded money supply to haul the economy out of deflation and induce growth, which the IMF forecast would hit 3.4 percent this year.

"The crisis seems to be levelling off but there's not much evidence of a return to positive price increases," Lincoln said.

In China, other analysts said, Rato might find it difficult convincing Beijing to adopt a flexible exchange rate policy as the world's most populous nation took steps to contain runaway economic growth.

The IMF has been urging China for sometime to adopt a flexible exchange rate regime to help reflect market conditions. The yuan currency has been pegged at 8.3 to the dollar for a decade.

Beijing has been accused by the United States, which suffered a trade deficit of 124 billion US dollars with China last year, of keeping its currency artificially low to give its exporters an unfair advantage.

A misaligned yuan could have adverse effects on China's 1.3 billion people as well as the global economy and financial markets, analysts warned.

"Every major international economic crisis of the past 15 years -- save Brazil's crisis in 2002 -- has been rooted in an exchange rate that remained too fixed for too long," said Kenneth Rogoff, professor of economics at Harvard University.

The IMF, with only some 150 billion dollars in immediate resources, may not have enough money available to bail out China if it plunged into currency turmoil, Rogoff warned in a report in Foreign Policy, a US publication.

## CityCell signs deal with Inforev

### Inforev

CityCell has signed an agreement with Inforev Limited under which Inforev will become the content provider of the cellular phone company's SMS Push-Pull based news and information Services.

Md Farhad Alam, vice-president of CityCell, and Mujtaba Sattar Anonto, managing director and CEO of Inforev Ltd, signed the deal on behalf of their organisations in Dhaka recently, says a press release.

CityCell will introduce many new value-added services with the help of Inforev. SMS Push-Pull based news and information service, sports update, missed call alerts, stock exchange news, foreign exchange rates and e-mail alerts on cellphone are some of the services.

## Standard Bank declares 15pc stock dividend

Standard Bank Limited has declared a 15 percent stock dividend for its shareholders for the year 2003.

The declaration was made at the bank's 5th annual general meeting held in Dhaka recently.

Kazi Akramuddin Ahmed, chairman of the bank, presided over the meeting, says a press release.

## Saudi Arabia bid for WTO accession hits new snags

AFP, Geneva

Saudi Arabia's attempt to join the World Trade Organisation has hit new snags and negotiations on the kingdom's accession will now continue after the summer break, a WTO official said Thursday.

Fresh meetings between the Saudis and some of its future trading partners in Geneva this week "did not produce the expected breakthrough", a WTO official said.

"The bilateral negotiation with the United States is not completed and the negotiation with the EU, which looked settled a few weeks ago, now looks like having some last minute hurdles", the official added on condition of anonymity.

After their previous meeting in April, Pakistan's ambassador Munir Akram, who is leading the talks, said they were in their "final stages" ahead of this week's "very substantial" meetings in Geneva.

Saudi Arabia is hoping to conclude a deal to join the WTO before the end of 2004.

However, the United States said during meetings on Wednesday and Thursday that it still had outstanding concerns about the liberalisation of the insurance industry in Saudi Arabia, the WTO official said.

## Oil market balanced on knife's edge

AFP, Paris

The recent sabotage of Iraq's oil pipelines has raised fresh concerns about production capacity and room for maneuver in case of a crisis amid firm global oil demand.

A wave of attacks in Iraq this week paralysed the country's exports from its southern sea terminals.

The southern oil fields had produced 1.6-1.8 million barrels per day before the spate of sabotage around Basra, 500 kilometres (300 miles) south of Baghdad.

Repairs to the pipelines are expected to take five days.

But meanwhile the oil market has suddenly found itself deprived of a substantial amount of crude.

And with global oil demand on the rise due to strong economic growth in industrialised countries and China every little bit of oil counts.

The International Energy Agency currently calculates global daily oil demand reached about 79.7 million barrels per day in the second quarter.

The Paris-based organisation expects demand to rise to 80.6 million bpd in the third quarter and 82.6 million bpd by the end of the year.

But as demand mounts, the crude producing members of the Organisation of Petroleum Exporting Countries have less and less extra supply to make up for any loss of Iraqi output.

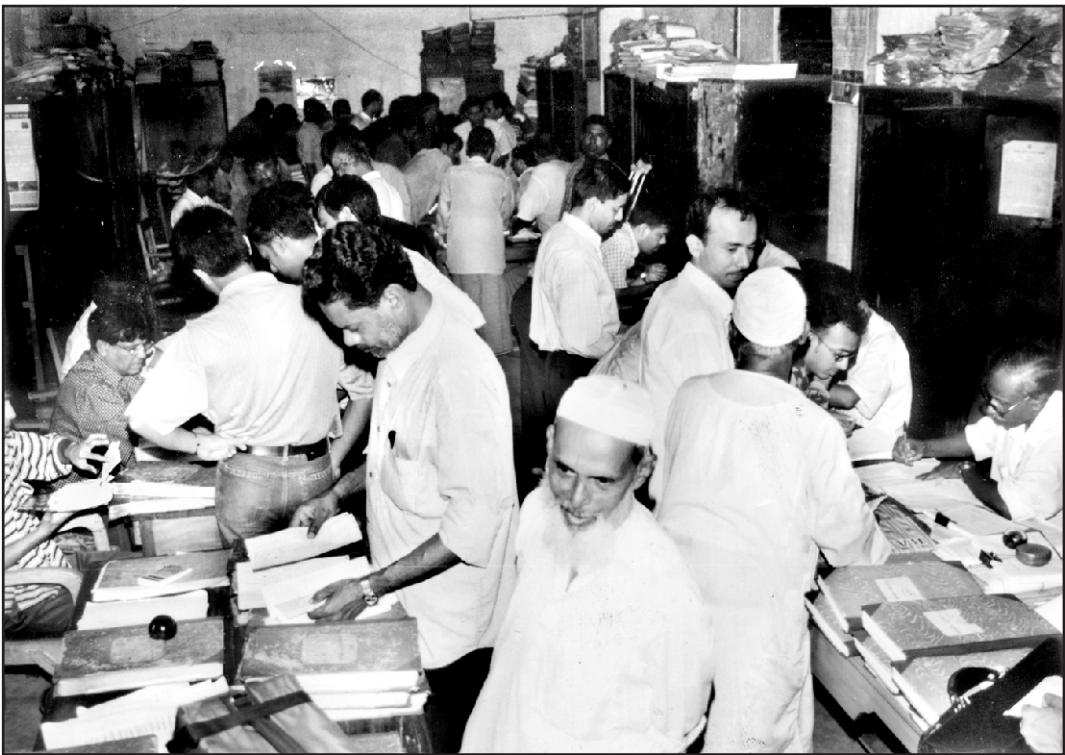


PHOTO: STAR

Subscribers crowd Bangladesh Telegraph and Telephone Board's (BTTB) revenue office at GPO in Dhaka to collect duplicate bills for paying their arrears as the BTTB is disconnecting lines for non-payment of bills.

## India's Jyothi Laboratories to set up plant in Bangladesh

PALLAB BHATTACHARYA, New Delhi

As part of its plan to expand its overseas presence, Jyothi Laboratories, leading Mumbai-based private manufacturer of fast-moving cosmetic goods as well as the popular detergent brand "Ujala," is going to set up a manufacturing plant in Dhaka.

The main purpose of the plant in Dhaka would be to neutralise the effect of high import tariff on its products into Bangladesh, industry sources said adding, the Indian private company has already begun preliminary work for starting production in its Dhaka unit.

Ujala brand, which already has a prominent market share in India, is understood to have made a mark in Bangladesh market since its launch in the country some years ago.

The setting up of a manufacturing plant in Dhaka, industry sources here believe, could result in the introduction of some other products of Jyothi Labs like coil, soap and ayurvedic cosmetic products in Bangladesh.

The company's foray into Bangladesh market is understood to be part of its plan to go in a big way in Saarc region and it is already planning a joint venture in Sri Lanka. Some other countries of the

region are also in its radar, they said.

The ayurvedic soap manufactured by Jyothi Labs has succeeded in finding a large market share in states like West Bengal, Kerala and Tamil Nadu, and the company plans to ride high on the growing awareness of the desirability of ayurvedic goods in certain markets, said the sources.

Jyothi Labs has manufacturing set-ups in 22 states of India and plans to come up with new products in the coming years. Two years ago, the company had bought a detergent manufacturing unit of Tata Chemicals.

## Asia a 'hot zone' of private banking acquisition

REUTERS, Hong Kong

Asia Pacific is a "hot zone" of private banking acquisition activity as international players think the region has the most global potential for wealth creation, according to a survey by KPMG Thursday.

Private banks, which offer high-end investment and tax management services for individuals with more than US\$5 million, are being drawn to a market where individual wealth is expected to hit US\$8 trillion in 2007, from \$4.8 trillion in 2000.

KPMG polled nearly 190 private banks worldwide, and one-third said they have a strategy calling for an acquisition within the next three years.

"Those that were interested in other markets had their focus on Asia," Bonn Liu, principal in KPMG's financial services group, said in an interview.

Asia-Pacific accounted for 41 percent of all private banking deals last year, compared with 23 percent in 2000, and KPMG expects that trend to continue.

But Western private banks on the prowl have their work cut out for them in Asia. KPMG executives said.

"In Europe... you've got a good set of data to work with," said Rupert Chamberlain, a director in transaction services at KPMG. "In Asia, your first hurdle is getting a reliable data set."

Global players like UBS, Credit

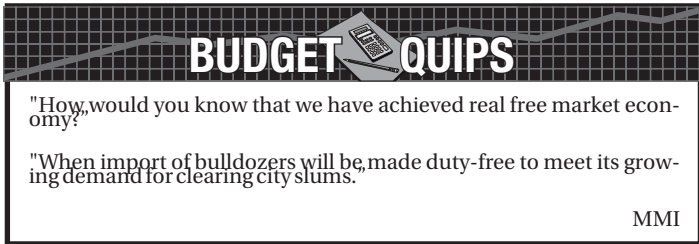
Suisse and HSBC have long histories and successful track records in Asia, where they have become the market's biggest providers.

That success draws upstarts, but the market is daunting.

"There's a lot of visitors that come through," said Liu. "Sometimes it's amazing how little they know the market."

There are not many pure-play Asian private banks that can be targeted, but many domestic banks have private banking arms that may be spun off.

"I should think most of them are examining their strategies," said Chamberlain, noting how expensive it is to serve the rich. "You need to have a certain critical mass to be sure margins don't erode."



## Indian communists want left-friendly budget Minister vows more reforms

AFP, New Delhi

India's communists, who provide crucial support to the new government, Friday sought to roll back a price hike in politically sensitive fuel prices as the commerce minister pledged more liberalisation to attract foreign investment.

The leftists raised their concerns at a meeting to discuss the government's first budget, due to be presented July 8, chaired by the ruling Congress party's president Sonia Gandhi.

"We were invited to exchange views on the budget. All that we have said is the budget should conform with the CMP," Communist Party of India general secretary A.B. Bardhan said after the 90-minute meeting.

The CMP, or Common Minimum Programme, was the policy paper drafted by the coalition after its upset victory in April-May elections over the Hindu nationalist government.

The platform promised reforms with a "human face" and ruled out sell-offs of profitable state firms.

Asked if he had sought to bring down fuel prices, Bardhan said: "I have raised that issue."

The government, citing high world oil prices, Tuesday hiked the price of cooking gas by 20 rupees (44 cents) a cylinder, a two-rupee rise for a litre of petrol and one rupee more for a litre of diesel.

However, in a market-friendly move, Commerce Minister Kamal Nath said in London that the government would consider raising limits on foreign investment and setting up special economic zones.

"I am looking at higher caps," Nath told the Financial Times.

Foreign investment in most sectors is capped at 74 percent without special government clearance but Nath said the changes would be restricted to job-creating areas such as infrastructure and the auto sector.

## Beijing's famous silk market to be demolished

AFP, Beijing

Beijing's famous outdoor silk market, stacked with fake brand name goods, is set to be demolished and moved to an indoor site because of concerns over fire dangers, state media said Friday.

The Xiushui market, as it is referred to by Chinese, is one of Beijing's most popular tourist destinations, drawing crowds of up to 20,000 people at weekends to search out cheap fake designer shoes, coats and bags.

But its fate has been under a cloud since authorities decided the narrow thoroughfare was a fire risk.

A decision now appears to have been made to knock it down, the China Daily said, although an exact date for the demolition has not been set.

The paper said the area where the market is located, near the equally famous Friendship Store which is itself under threat of closure, will be turned into a street to ease the increasingly gridlocked traffic along Chang'an Avenue.

According to the paper, it will be moved to a new indoor building over eight stories that can accommodate 1,000 stalls.

While one of China's commitments to the World Trade Organization was to crack down on intellectual property rights abuses, places like the Silk Market continue to thrive.