Star Business

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Cabinet okays draft agreement with S'pore

STAR BUSINESS REPORT

The Cabinet yesterday approved the draft of an agreement on Development and Protection of Capital Investment under bilateral arrangement between Bangladesh and Singapore, two days before Singapore Prime Minister Goh Chok Tong's official visit.

A day after his arrival, the bilateral agreement is expected to be signed on Thursday.

Lee Yock Suan, minister in the Singapore prime minister's office and second minister for foreign ministry, will sign the agreement on behalf of Singapore while industries minister will sign it on behalf of Bangladesh.

Singapore has investment promotion and protection agreements with all countries in the Association of Southeast Asian Nations (Asean) and also with Belgo-Luxembourg Economic Union and 19 other countries including the United States.

These agreements mutually protect nationals or companies of either country for a specific period against war and non-commercial risks of expropriation and nationalisation.

In the event of expropriation or nationalisation, the host government compensates affected foreign investors based on the market value of the property concerned prior to expropriation or nationalisation.

EBL opens ATM booth at Dilkusha principal branch

Eastern Bank Limited (EBL) has opened a second ATM booth at the bank's principal branch in Dilkhusa, Dhaka.

M Ghaziul Haque, chairman of the bank, inaugurated the booth on Sunday, says a press release.

K Mahmood Sattar, managing director and CEO and other senior officials of the bank were present.

The opening of the booth is part of the bank's strategy to expand ATM network supported by IT Consultants Limited, to ensure continued customers' convenience.

The bank will inaugurate more such ATMs at different locations in Dhaka, Chittagong, Sylhet, Khulna and other cities.

With the launching of EBL VisaElectron debit card the first ever on-line debit card in Bangladesh, EBL customers can now have access cash directly from their personal accounts through Q-Cash and Visa certified ATMs and use their card at Visa and Q-Cash merchant locations equipped with 'point of sales terminals'.

India's central bank may review rate policy

REUTERS, *Bombay*

India's central bank chief said in an interview published in The Hindu daily Monday that authorities would have to revisit the country's monetary policy stance if global interest rates tightened further.

"..if global trends exceed what we have assumed, there would be a case for revisiting," Reserve Bank of India (RBI) Governor YV Reddy said.

India's central bank, in its annual policy on May 18, kept interest rates unchanged at three-decade lows but aid it would keep an eye on domestic inflation and global trends, prompting many analysts to say it had switched to a neutral policy stance from a three-year soft rate bias.

Reddy said the central bank was closely watching the global "oil situation" and its impact on domestic prices. Last week, Indian refiners raised prices of fuel for the first time since January to align them with firm global prices.

The burden of higher oil prices will have to be divided between the government, the oil companies and the consumer, Reddy said.

"This is going to be an important issue but whatever way it is decided, I expect the increase to be moderate enough to enable us to persist with our monetary expectation in May," he said.

The Indian central bank's annual policy last month projected inflation would be at 5.0 percent on a point-to-point basis during the year to March 2005.

Government data released on Friday showed the closely tracked wholesale price index had risen by 5.55 percent for the year to June 5 from 5.03 percent a week earlier. The market had expected a moderate rise to 5.08 percent.

Reddy also said possibly higher borrowings by the federal government would be managed, but would pose risks to monetary policy and debt management.

Law to facilitate easier int'l trade on cards

Moudud discloses at ICC-B workshop

STAR BUSINESS REPORT

The government has formalised a new law to make international trade easier which is expected to be placed in the next parliamentary session, disclosed Law, Justice and Parliamentary Affairs Minister Moudud Ahmed yesterday.

The law will facilitate export-import trade using state-of-the-art technologies, he said inaugurating a two-day workshop on 'International Trade Tools and Incoterms 2000' organised by International Chamber of Commerce-Bangladesh (ICC-B) in Dhaka.

The minister said the law ministry has already prepared a draft on the new law -- Information Technology (commercial transactions) Act -- on the basis of recommendations made by the Law Commission.

In today's world of business, original export-import and other trade documents are no longer required to settle any trade disputes, he said. "Now copies received via fax and internet are enough to rely on."

Moudud apprehended that the move might face criticism as there are chances of some fraudulent practices.

Simplified trade laws are prerequisite to attracting foreign investment, the minister said adding, "That's why we are taking such initiatives, which also include amendments to some existing laws including Companies Act 1994 and Bank Companies Act."

He observed that formation of an independent anti-corruption commission is also required to attract foreign entrepreneurs. "The law relating to such commission may also be passed in the current parliament session," the law minister hoped.

ICC-B President Mahbubur Rahman said the workshop will be beneficial to the participants as they will be able to update themselves with the present day trade rules.

The workshop will discuss different trade tools including Incoterms 2000, Uniform Customs and Practices (UCP), Uniform Rules for Collections (URC 522), Bank to Bank Reimbursement (URR 525), International Standard Banking Practice for Examination of Letters of Credit (ISBP) and International Standby Practices (ISP).

Roger Packham, head of Trade Service (Asia-Pacific) of Citibank NA, an expert on international trade, is conducting the workshop participated by officials from private banks and companies.

According to Citibank NA, Bangladesh Chief Executive Officer Mamun Rashid, Incoterms 2000 has been formulated by International Chamber of Commerce and it deals with international sales contracts.

ICC-B Vice-president Latifur Rahman was also present at the ceremony.

PHOTO: STAR

Law, Justice and Parliamentary Affairs Minister Moudud Ahmed speaks at the inaugural session of a two-day seminar titled 'International Trade Tools and Incoterms-2000' organised by International Chamber of Commerce-Bangladesh (ICC-B) in Dhaka yesterday. Mahbubur Rahman (2nd from left), president ICC-B, Latifur Rahman (left), vice president ICC-B, Mamun Rashid (3rd from left), CEO Citibank NA, Bangladesh and Roger Packham (4th from left), head of Trade Service (Asia Pacific) of Citibank NA, are also seen.

Mutual funds fail to take off on ICB's defiance to rules

Observes ADB audit team

M SHAMSUR RAHMAN

Due to unwillingness of state-owned investment company to abide by regulations, the efforts to develop a mutual fund market through private sector participation have failed to yield desired results despite regulatory changes towards making a vibrant market.

This has created an uneven playing field in the local mutual fund business, according to an independent audit conducted by a team from ADB headquarters on US$80 million capital market development programme.

The team presented its findings during a wrap-up meeting with senior officials of Finance Division of the Ministry of Finance last week.

In 1997, the SEC Mutual Fund Regulation was introduced without bringing Investment Corporation of Bangladesh (ICB) under the purview of the regulation. After formulation of the regulation, only one mutual fund was floated prompting SEC to replace the regulation with SEC (Mutual Fund) Rule 2001.

"But due to operational complexities, only one private mutual fund was registered which was never floated," according to the ADB's post-implementation programme audit.

The ADB team observed that in order to develop an institutional base of ICB and bring it to a level-playing field with private asset management companies, a policy condition to unbundle and restructure ICB was tagged to the loan.

In line with the condition, three separate entities were created in ICB to perform merchant banking, mutual fund operation and stock brokerage activities.

The ICB Securities Trading Company acquired the membership of the parent company at both the stock exchanges, ICB Asset Management Company got SEC approval to set up one open-end fund and one closed-end fund while ICB Capital Management Company was granted licence to manage issues and perform as underwriter.

The report said though these subsidiaries were formed no asset was transferred to the ICB Asset Management Company. Besides, the parent ICB, which does not come under the regulatory framework of SEC, continued to manage the existing mutual funds.

Therefore, these funds can borrow unlimitedly without any quantitative restriction on their investments in a particular company, group or sector like the private funds.

Also in violation of the mutual fund rule, the ICB do not publish net asset value (NAV) or submit any report to SEC or pay any fees to SEC, the ADB team observed.

"This has created an uneven playing field where the mutual funds under the management of state-owned companies enjoy special exemption."

ICB argues that it would require special resolution from the unit holders seeking approval to subject the funds under the SEC rules or transfer those to the subsidiary. "However, ICB appears reluctant to exercise the option or provide the unit holders with the choice of winding up of the funds," the audit report said.

"...In fact the ICB is continuing to be in competition with its own wholly owned asset management subsidiary," the report said.

The unbundling of the state-owned ICB has not been successfully concluded and remains unfinished and the commitment from the government or SEC appears not be firm in this regard, the ADB team maintained.

It pointed out that SEC's claim of having an overriding power over any legal and regulatory sanction in any other law pertaining to the capital market but this not been applied on the ICB in this regard.

It also said that SEC appears to be reluctant to enforce the rules on an unwilling state organisation, which has compounded the problems in the flourishment of the institutional investor community.

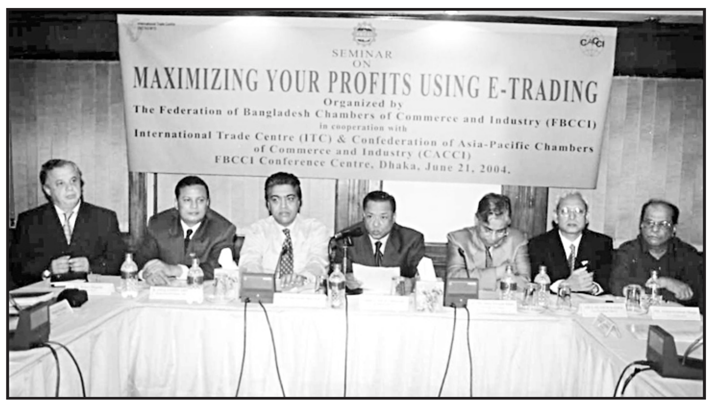

PHOTO: FBCCI

Abdul Awal Mintoo (centre), president of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) speaks at a seminar on 'Maximising your profits using e-trading' at FBCCI conference hall yesterday. Among others, Syed Maghub Murshed (3rd from left), chairman of Bangladesh Telecommunication Regulatory Commission, is also seen.

BUDGET QUIPS

"When too much money chases too few goods, it results in inflation. What happens when too many MPs chase too few ministerial jobs?"

"Party funds get inflated."

ECB economist warns of inflationary dangers

AFP, *Frankfurt*

The European Central Bank expressed concern Monday about possible inflationary dangers, which might lead the guardian of the euro to tighten monetary conditions in the single currency area.

The ECB's chief economist Otmar Issing said in a newspaper interview that the pick-up in inflation in the 12-country eurozone, driven by high oil prices, is a cause of "some concern" even if were not yet "dramatic".

"So far, the rise hasn't been dramatic, but it's a development that fills me with some concern," Issing told the business daily Handelsblatt.

Inflation in the 12 countries that share the euro shot up to 2.5 percent on a 12-month basis in May from 2.0 percent in April.

And consumer prices in the single currency area rose by 0.3 percent month-on-month in May from April.

The ECB defines price stability as price increases of close to but below 2.0 percent on 12-month basis.

Issing warned of possible "second-round" effects of inflation, meaning that rising oil prices could feed through into other parts of the economy, triggering a so-called inflation spiral.

Such a spiral could lead the ECB to raise its key interest rates, currently fixed at 2.0 percent.

Bundesbank President Axel Weber expressed similar concerns.

Speaking to reporters on the sidelines of a conference in Frankfurt, Weber said he was confident that the recent rise in inflation and inflation expectations would prove only temporary and that inflationary pressures would recede.

But Weber added that if higher inflation expectations led to secondary effects such as rising wages, "that would be worrying".

In this event, the ECB "would have to review our policy assumption", which "could tend to lead to a more restrictive position", he said.

However, Weber, who sits on the ECB's governing council, said there was no need for the bank to act now. "We are not concerned yet, but vigilant," he said.

Enlarged EU to boost ties at Japan summit

AFP, *Brussels*

An EU-Japan summit this week will help strengthen ties between the newly-enlarged European Union and an economically recovering Japan, European Commission chief Romano Prodi said Monday.

The annual summit Tuesday is the first since the May 1 expansion of the EU from 15 to 25 nations and follows on the heels of an historic gathering in Brussels, where union members agreed Friday on a landmark first constitution.

"I am confident of a successful summit that will reflect the importance of the EU-Japan relationship, reinforcing our strategic partnership both in the political and economic areas," said Prodi ahead of the summit in Tokyo Tuesday.

The summit, focussed in particular on economic cooperation, comes as Japan is posting the strongest economic growth in the industrialized world, with January-March growth pegged at a red-hot 6.1 percent annualized rate.

Tata gets licence to make defence vehicles

REUTERS, *New Delhi*

Tata Motors Ltd, India's largest truck and bus maker, has won a licence from the government to manufacture defence-related vehicles such as troop carriers, a newspaper reported Monday.

The Business Standard, quoting unnamed sources, said the licence also covered the manufacture of light armoured multi-role vehicles, special attack surveillance vehicles and high mobility vehicles.

The report said the permit was an assurance that the government would buy such vehicles from Tata Motors or allow the firm to export them to friendly countries. Currently, the government sources these vehicles mainly from countries such as Russia and Israel, or from state-run defence establishments.

Company and government officials could not be reached for comment.

Prepare guideline to flourish e-trading

Speakers urge govt at seminar

STAR BUSINESS REPORT

As e-commerce is facing some challenges to flourish in the country, speakers at a seminar yesterday suggested preparing guidelines for its smooth growth.

Poor telecommunication infrastructure, lack of appropriate IT equipment and software and inadequate skills of human resources both in the public and private sectors are the key impediments to this end, Science and Information & Communication Technology (ICT) Secretary Omar Faruque Khan told the seminar in Dhaka.

"In order to face these challenges, we must enhance the facilities of using ICT in commerce and trade without further delay," the secretary said.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) in cooperation with International Trade Centre (ITC), Geneva and Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI) organised the seminar on 'Maximising your profits using e-trading' at FBCCI conference hall.

Discussants at the technical sessions urged the government for providing infrastructure and technical supports to the small and medium enterprises (SMEs) to equip them with the skill of e-trading aimed to maximise their profits.

Speaking at the inaugural session, Syed Marghub Murshed, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), said adoption of e-trading is essential to ensure efficiency in commercial transactions.

"Those who wish to survive in this ever increasing competitive world must come up with imaginative products or innovative solutions," the BTRC chief said.

FBCCI President Abdul Awal Mintoo said electronic commerce or e-business makes the communication between a customer and a seller interactive and transparent.

"The medium helps establish a direct contact between the prospective buyer and a seller so we must master the techniques of this new culture of business," he said.

First Vice-president of FBCCI Kamaluddin Ahmed also spoke at the inaugural function.

The seminar had three technical sessions on "The Changing Marketplace/Creating the E-Trade Environment", "How an SME can go into E-Trading/the ABC of E-Trading" and "E-Marketplace solution for small Firms," which were attended by 60 participants.

China plans to combat energy shortages

AFP, *Beijing*

China's power regulator has submitted an emergency plan to cabinet to prepare to tackle the most serious electricity shortages since the 1980s, state media reported Monday.

The weekly Economic Observer said the plan aims to respond to large-scale blackouts caused by power generation accidents, damage to generating equipment, natural disasters and power supply shortages.

China is experiencing widespread power shortages as electricity supplies fail to keep pace with the demands of its rapidly growing economy.

Development of power-hungry industries such as the auto and iron and steel sectors, and urbanisation have aggravated the problem.

Moreover, China's central electricity stations suffer high power losses as they use obsolete equipment.

A group comprised of officials from the State Electricity Regulatory Commission (SERC), the National Development and Reform Commission, the State Administration of Work Safety and the State Grid Corp has been set up to draft and implement the plan, the report said.

Chai Songyue, chairman of SERC, was quoted by the Xinhua news agency over the weekend as saying that an electricity shortfall of up to 25 million kilowatts was expected this summer.

He urged local governments, industrial firms and power companies to improve distribution and review prices based on consumption.

China has seen a series of bottlenecks in the transport and power generation sectors this year, with most local coal-fired power generators complaining about lagging coal inventories.

So far 24 of China's 31 provinces and municipalities have suffered from brown-outs this year and the electricity shortage is likely to widen.

The country's overall power consumption rose 16.1 percent year-on-year during the first four months of this year with the industrial sector accounting for 74.9 percent of total electricity consumption, Xinhua said.

In a bid to counter the problem, the National Development and Reform Commission last week announced an increase in electricity prices in four of the country's major regions.

HBFC borrowers protest property auction

STAR BUSINESS REPORT

An association of House Building Finance Corporation (HBFC) borrowers yesterday protested a recent move to sell their property through auction.

Leaders of the association alleged that the state-owned house financing company is violating the directives of the petition committee in parliament and a rule of the High Court regarding payment of the principle amount and the interest against loan.

The allegations were made during a press conference at the Jatiya Press Club where M Fazlul Huq, secretary general of the association, read out a written statement.

The leaders also alleged that HBFC currently charging service charge between 7.5 percent and 16 percent instead of 5 percent as advised by the petition committee.

They called for a provision to enable them in repaying loans within the stipulated time without hassles or legal complications.

The borrowers alleged that the officials of the HBFC forcibly evicted the borrowers from their houses without any prior notice at different localities throughout the country.

"High interest rate, huge amount of instalment inconsistent with house rent and inadequate loan amount are some of the main reasons for loan default," said one leader.

Association leaders M Amanullah, Shahjahan Mia, Ayub Ali Khan and Abul Hasan were present at the press conference.

Asian Paints Colourworld outlet opens at Uttara

Asian Paints (Bangladesh) Ltd has launched "Asian Paints Colourworld" system at one of its authorised dealers 'Shariatpur Hardware and Paint Agency' at Uttara in Dhaka.

This is the third Colourworld in Dhaka following the launching of similar outlets in Chittagong, Dhaka, Laksam, Chandpur, Sylhet and Srimongol.

RV Ramanujam, chief executive and director of Asian Paints (Bangladesh) Ltd, inaugurated the outlet recently, says a press release.

SR Rao, factory manager, Mahfuzul Mamun Babu, area manager; Muyeedul Islam, territory sales-in-charge, Tanvir Ahmed, proprietor of Shariatpur Hardware and Paint Agency, dealers and other dignitaries were present.

Malaysian PM presses for action on East Asian Community

AFP, *Kuala Lumpur*

Malaysian Prime Minister Abdullah Ahmad Badawi made a strong push Monday for early action on launching an East Asian Community to face up to the threats and opportunities of an expanded Europe and the free trade area of the Americas.

Abdullah told the second East Asia Congress here the time had now come for the realisation of an idea first proposed by his predecessor, Mahathir Mohamad, more than 13 years ago. The idea was dropped amid strong opposition from the United States.

"We in the region have dallied long enough. It is now time to take the process of building our East Asian Community to new heights and in new directions," he said in an opening address to some 800 government officials, businessmen and academics from around the region.

Abdullah warned that it would take "at least two generations for East Asia to reach the European benchmark ... (so) the sooner we start in all earnestness the better".

East Asia -- basically the 10 countries of the Association of Southeast Asian Nations (Asean) plus Japan, China and South Korea -- could "work together to ensure that an expanded Europe and the free trade area of the Americas will not be a threat but an opportunity for us," he said.

At the same time, "we must ensure the strongest productive relations with key countries outside East Asia such as the United States, Saudi Arabia, India, the United Kingdom, France, Germany and Australia".

The United States is the biggest foreign investor in Asean, which comprises Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.