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Star BUSINESS

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BB order restricting loans from Rupali Bank stayed

UNB, Dhaka

The High Court yesterday stayed for 3 months the operation of the Bangladesh Bank order restricting Rupali Bank Ltd to sanction new loans to borrowers and increase lending limit to existing ones.

A Division Bench comprising Justice M Joyul Abedin and Justice Zubeer Rahman Chowdhury issued a rule upon Bangladesh Bank and others to explain why the direction for signing a memorandum of understanding (MoU) should not be declared illegal.

The orders came upon a writ filed by two borrowers of Rupali Bank -- Uttara Paat Sangstha and J & J Essential Products Ltd challenging the legality of restriction on sanction and extension of loan facilities.

The central bank a month ago imposed restriction on giving new loans and extension of existing facilities to streamline the banking sector.

Advocate Manzil Mshrid appeared for the petitioners.

India framing long-term grain export policy

REUTERS, New Delhi

India, one of the world's leading grain producers, is evolving a long-term policy on export of farm goods and could soon emerge as a global player on grains, government officials said on Saturday.

Industry officials say the lack of a consistent government policy had cost exporters dearly and robbed the country of regular buyers of its wheat and rice in Southeast Asia, the Middle East and Europe. Indian grain exports have been on hold since August 2003, when the government stopped issuing grains to exporters as stocks fell due to robust overseas sales and a drought in 2002.

"We are getting there, the analysis is on," Farm Secretary Radha Singh told a grains conference. "We are definitely heading for a grains export policy."

She said the policy was unlikely to be in place before the federal budget to be presented to parliament in February.

Singh said the grains and oilseeds crop to be harvested in the summer months of March and April was expected to be good with ideal weather conditions and more area coverage in some crops.

She told reporters the summer wheat output is expected to rise to 74-75 million tonnes from around 72 million tonnes last year while the summer oilseed output, mainly rapeseed, was seen unchanged from last year's around 10 million tonnes.

Rains during the 2004 monsoon season, which runs from June to September, were 13 percent below normal, but post-monsoon rains in many parts of the country provided good soil conditions and ideal weather for sowing of the summer crop.

S'pore Airlines steps up on Australian routes

AFP, Sydney

Singapore Airlines has stepped up its battle with Australian carriers by announcing plans for extra services to Brisbane and Melbourne with increased connection opportunities between Australia and growth regions such as North Asia.

SIA said in a weekend statement that it plans to increase capacity on existing routes by 5.1 percent with the introduction of a new northern summer schedule from March 27.

The boost will see SIA operating to Australia 84 times weekly, serving each of the major Australian cities of Sydney, Melbourne and Brisbane non-stop, three times daily, every day, the carrier said.

"Growth to Brisbane is particularly strong, with SIA having tripled its capacity in just four years," SIA said.

Frequencies to Christchurch, Hanoi, Fukuoka and Bombay are also being increased.

At the request of SIA, transport ministers from Australia and Singapore will meet next month to discuss opening routes from Australia to the United States in a move hotly contested by Australian flag carrier Qantas.

One stop service centre opens at Chittagong Port

BSS, Chittagong

A "One stop service centre" was introduced yesterday at Chittagong Port for quicker and hassle-free delivery of imported consignments.

About 1,200 thousand sq ft of the M-shed inside the port jetty has been turned into the modern service providing centre by developing necessary infrastructural supports including posting of adequate manpower and setting up of booths of two banks.

From now on the importers need to go only one initial point for getting delivery of their imported goods.

From now onwards an importer will be able to clear consignments in only one and a half hour instead of previous four days. The existing delivery process will come down to 12 phases from 48, officials said.

Exporters and trade leaders appreciated the move for introducing the "One stop service centre" at the Port.

Shipping Secretary Mohammad Ismail Zabiullah inaugurated the centre.

Addressing the function, leaders of various trade organisations said

such facilities, which were the long-felt demands of the business community, would contribute greatly to facilitate exports and imports particularly the readymade garments and also soften the bite of the post-MFA trade regime into the country's biggest foreign exchange earning sector.

With Chittagong Port Authority (CPA) Chairman AMM Shahadat Hossain in the chair, the function was addressed, among others by Joint Secretary of the Ministry of Shipping Nepal Chandra Sircar, BGMEA President Anisul Haq, First Vice-President M A Salam, its Chairman of the Law and Customs Committee Mahmood Chowdhury, and former President of the Chittagong Chamber of Commerce and Industry Amir Humayun Mahmud Chowdhury.

Chairman of the Bangladesh Shipping Agents Association Dr Pervez Sajjad Akhter, Chairman of the Bangladesh Masters Stevedores Association AHM Manzur Alam, Director (Traffic) of the CPA Ahsanul Kabir and General Secretary of the CPA-CBA Sheikh Nurullah Bahar also spoke on the occasion.



Shipping Secretary Mohammad Ismail Zabiullah inaugurates a 'one stop service centre' yesterday at Chittagong Port for quicker and hassle-free delivery of imported consignments. Bangladesh Garment Manufacturers and Exporters Association President Anisul Haq was also present at the function.

Leasing cos seek refinancing in export-oriented industries

STAR BUSINESS REPORT

In a bid to reduce cost of capital, leasing companies have urged Bangladesh Bank to allow refinancing facilities in the export-oriented industries, housing and other priority areas to increase domestic investment.

"Non-bank financial institutions (NBFIs) are mostly engaged in export-oriented business and housing. So, allowing refinancing facilities will help accelerate pace of industrialisation as the cost of fund will decrease," said a leader of Bangladesh Leasing and Finance Companies Association (BLFCA).

BLFCA tabled the demand in a meeting of the parliamentary standing committee on finance ministry held recently in line with a similar facility offered by BB to the leasing companies for agro-based industries.

The central bank last year allowed the NBFIs to avail themselves of its funding support for agro-based industries, which was

earlier restricted to the commercial banks only.

The BLFCA leaders sought BB intervention to end the disparity between the commercial banks and the leasing companies on the interest rate of call money.

Problems of leasing companies came up for the first time in the meeting of the parliamentary standing committee with the committee Chief Mushfiqur Rahman in the chair. Finance and Planning Minister M Saifur Rahman, BB Governor Fakhruddin Ahmed and former finance minister SAMS Kibria were present at the meeting. Chief executive officers (CEO) and managing directors of some 20 leasing companies were also present.

Commercial banks charge at least 2 percent higher interest rate on call money from the NBFIs, which incurs substantial financial loss due to the disparity," said a chief executive officer of a leasing company.

"Responding to our (NBFIs) demand, the BB governor assured us

of looking into the matter," said a BLFCA leader.

The NBFIs play a significant role in the development of small and medium enterprises (SMEs). They disbursed a total of Tk 1000 crore in 2003, emerging as an alternative source of finance for SMEs.

Managing Director of Vanik Bangladesh Ltd Sayyed Husain Jamal suggested the meeting for widening the coverage of refinancing facility of the central bank to priority areas -- other than agriculture and equity participation funds -- in order to bring down the cost of funds of the NBFIs.

The BLFCA leaders also urged the central bank to allow provision for bad and doubtful debts of the NBFIs in line with those allowed to the banks at the rate of two percent.

"Since the NBFIs are engaged in jobs similar to those of the banks, there should not be any discrimination against the NBFIs regarding bad debt provisioning," said another leader of BLFCA.

A total of 28 NBFIs are in opera-

tion in the market now. Of these, Industrial Development Leasing Company of Bangladesh (IDL), United Leasing, Uttara Finance, MIDAS Financing Ltd and First Lease International are publicly listed companies.

In the meeting, the lawmakers were also told that some of the NBFIs were in the final stage of issuing asset-backed securities bonds to pave the way for mobilisation of investment funds.

The Industrial Promotion and Development Company of Bangladesh Ltd (IPDC) launched the first ever securitisation of assets worth Tk 359 million on November 8, 2004 under the joint efforts of Financial Institutions Development Project (FIDP) of BB and the Securities and Exchange Commission.

IDL, Prime Finance and some other NBFIs have also applied for floatation of debt instruments. Besides, IDLC has applied for launching securitised bond worth Tk 21 crore.

Call money rate hits 20pc

STAR BUSINESS REPORT

Call money rate jumped to 20 percent yesterday, thanks to liquidity pressure before the Eid-ul-Azha and high interest in repurchase agreements.

Call money rate on Saturday was 9 to 10 percent and interest in Repo hit record 10 percent on Saturday as the central bank went tough on the special loan arrangement with commercial banks.

The Bangladesh Bank gives loan to cash-strapped commercial banks through Repo auction where interest rate normally hovers around 4 to 5 percent.

Asking commercial banks to develop a strong call money market to get liquidity, the BB now carefully scrutinises Repo bids and discourages banks to participate in Repo bids.

Now over Tk 9,000 crore lies idle with banks that can help develop an

active call money market, according to the BB officials.

"Call money rate is expected to rise in the next few days as clients will need to withdraw money before the Eid," said a banker at the Motijheel branch of the National Credit and Commerce Bank Ltd.

The banks will remain closed for at least four consecutive days, which will see a cash withdrawal pressure in the next couple of days, he observed.

Apart from ordinary people, hide traders will also withdraw substantial amount of money from banks to purchase hide and skin during the Eid-ul-Azha, the banker added.

The nationalised commercial banks (NCBs) this year will extend Tk 220 crore in loan to hide traders. However, no default hide trader will get the loan this year. The NCBs will sanction loans cautiously so that the loans do not become bad.

Bay Phones to launch land phones by Feb

STAR BUSINESS REPORT

Bay Phones Bangladesh plans to invest Tk 200 crore to launch the country's first private land phone in the southeastern region by late February.

"We have signed deals with equipment vendors and BTRC has allocated us the necessary frequencies. So, we are hopeful to launch the services by late next month," MA Hashem, chairman and chief executive officer (CEO) of Bay Phones, told reporters at a function in Dhaka yesterday.

Hashem was addressing a function to mark the contract signing between Bay Phones Bangladesh and singer Kumar Biswajit. Biswajit

will work as the brand ambassador of Bay Phones.

Commenting on the technology and call rate Hashem, an expatriate Bangladeshi in the US, said, "Bay Phones will use both wire and wireless technology for rolling out the network. The call tariff will be 10 to 20 percent below the rate of state-owned Bangladesh Telegraph and Telephone Board (BTTB)".

The company will operate its services in Chittagong, Chittagong Hill Tracts, Noakhali and Comilla at the initial stage targeting 100,000 subscribers.

Subscribers will get phone connections within 48 hours of filing applications, the chairman said.

Media urged to promote SMEs

UNB, Dhaka

As small and medium enterprises remain at the core of Bangladesh's industrialisation process, experts yesterday vested the mass media with the task of creating public awareness about SME business to ensure the country's economic development.

"Mass media should play an important role in attracting people to SME business. Creating awareness and educating people will make this sector effective for economic development," said former commerce minister Amir Khosru Mahmud Chowdhury.

He was speaking as chief guest at the inaugural session of a two-day workshop on "The Scope of Mass Media to Cater to the SME Business Needs in Bangladesh" in Dhaka.

The ex-commerce minister, also a noted businessman, urged all the SME entrepreneurs to play their real role so that people can be aware about the need and prospect of small and medium business ventures.

The media event has been jointly organised by the Federation of Bangladesh Chambers and Commerce and Industry (FBCCI) and Katalist to explore the means of integrating SME issues in media planning and programming as well as designing, developing and commercialising programs, pages and magazines focusing on SME.

President of FBCCI Abdul Awal Mintoos urged press and electronic media to offer targeted programmes for SMEs and enhance their access to services such as business information, business advice and a platform for advocacy.

He mentioned small and medium enterprises contribute to the extent of 25 percent of GDP in Bangladesh, about 40 percent gross manufacturing output, 80 percent industrial jobs and around 25 percent of the total labour force.

Forty-five people from the business community and mass media are participating in the two-day workshop that concludes today.

Pursue private sector-led growth

Experts at BEI roundtable urges govt

STAR BUSINESS REPORT

Economists, entrepreneurs, academics and politicians yesterday asked the government to completely unleash the private sector to invigorate the growth engine.

They asked the government to entrust the private sector with developing infrastructure and cut down government authority as much as possible.

They observed in spite of all problems, Bangladesh has immense growth potential provided government interference is reduced.

They were speaking at a roundtable organised by Bangladesh Enterprise Institute (BEI). Michael U Klein, vice-president (Private Sector Development) of World Bank Group, and chief economist of IFC, presented a paper on "Benchmarking the Investment Climate" in the roundtable.

Former commerce minister Amir Khosru Mahmud Chowdhury said the country can add about two percent to its GDP growth if the private sector is totally unleashed.

Private sector should be allowed to develop country's basic infrastructure. The more the private sector is involved in infrastructure, the more consolidated it becomes, he said.

Government always talks about resource constraints during budget time but still it goes for costly infrastructure projects. Rather, it should open the infrastructure to private sector, he said.

Michael U Klein said most of the world economies developed amid chaotic situation. So, in spite of all problems, Bangladesh can develop and become a self-sufficient country.

Indian, Malaysian, Korean companies are increasingly showing interest in investing in Bangladesh. So, if the government unleashes private sector, it can see the change, the chief economist of IFC said.

Bangladesh has been witnessing above five percent growth in the past



Economist Wahiduddin Mahmud (centre) speaks at a roundtable organised by Bangladesh Enterprise Institute (BEI) in Dhaka yesterday. Michael U Klein, vice-president (Private Sector Development) of World Bank Group and chief economist of IFC (left), and Farooq Sobhan, president of BEI, are also seen.

few years, which is encouraging. However, the country could have seen much higher growth if delay in government bureaucracy and judicial system and corruption can be minimised.

BEI President Farooq Sobhan said private sector has inscribed a success story for Bangladesh. "If Tata's \$2 billion investment comes to Bangladesh, another \$10 billion investment will follow it," he said.

Bureaucratic tangle is a formidable challenge for Bangladesh. This delays things and delay costs money. The proposals for establishing Korean Export Processing Zone (KEPZ) in Chittagong was submitted to government ten years back but it has given no decision till date. Ten years is a long time to get an operating licence for establishing an EPZ, the BEI president said.

Chairing the roundtable, renowned economist Professor Wahiduddin Mahmud said in spite

of all problems Bangladesh's macroeconomic indicators are good and it has potentials to boost its growth.

Eminent lawyer Dr Kamal Hossain said judiciary must be separated from the executive to overcome slow process of judicial system. As there exists government interference, the judicial system lacks credibility.

Blessed with low cost and easily teachable labour force, Bangladeshi entrepreneurs have got good enterprising ability but judicial and bureaucratic delay hamper the entrepreneurial venture, he said.

President of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Abdul Awal Mintoos said businessmen in Bangladesh face more disruptions than any other groups. Bangladesh imports over 70 percent products from India through Benapole land port but the land port sees about 100 days of strike a year.

KZ Islam, a chartered accountant, said success in readymade garment has come because the sector is insulated from government control. The government allowed the process of back to back L/C, which led to a boom in the industry. Earlier exporters had to face bureaucratic tangle to get permission for back to back L/C.

"Bangladesh can be a good place for doing business if there is no political uncertainty. It is the political confrontations that hamper business here," he said.

Former president of FBCCI said more state-owned enterprises need to be privatised so that the government has lesser decision making power.

Privatisation Commission Chairman Enam Ahmed Chaudhury, lawyer Barrister Amirul Islam, HSBC CEO in Bangladesh David JH Griffiths, among others, spoke at the roundtable.

World steel output expected to hit new record

AFP, Paris

Worldwide steel output, powered by robust Chinese economic momentum, is expected to hit a new record this year, but the dizzying surge in prices seen in 2004 should eventually spark resistance from consumers, the OECD has predicted here.

After breaking through the one-billion-tonne barrier in 2004, production is projected to rise by about five percent in 2005 and 3.5 percent in 2006, according to the Organization for Economic Cooperation and Development.

Output last year came to 1.05 billion tonnes, up 8.7 percent from 2003. China was responsible for more than a quarter -- 26 percent -- of the 2004 total.

While steel prices are expected to edge still higher in the first half of 2005, "they will then stabilize and in some cases undergo a readjustment," said Franco Mannato, a steel economist at the OECD.

"We can't have an infinite increase in prices," he told AFP. "Steel after all is one of the most important base materials in the world and price increases have repercussions everywhere. We have to realize that at a certain moment steel producers ... will have to limit the increases."

Steel industry consumers will become increasingly reluctant to accept continued price hikes, he warned.

World Steel Dynamics (WSD), a US steel research group, has even spoken of a possible "strike" on the part of buyers, notably in Europe where they are suffering from the effects of a weaker dollar as well as higher steel prices.

"The steel industry has to be careful," added Mannato. "At a certain price level, substitute materials will be increasingly considered. We've seen it in the automobile sector where certain marques now use aluminium."

But Mannato added that talk of a buyers' strike was exaggerated.

"Everyone needs steel," he said. In addition Chinese imports, which have driven the price surge, declined 24 percent last year to around 30 million tonnes.

Mannato said the cut-back in Chinese steel imports should be maintained in 2005 and 2006 while exports, which may have doubled last year, will likely continue to grow.

Economists are meanwhile predicting that the currently fragmented global steel industry should see further consolidation in the years to come similar to movements that produced such giants as Arcelor in 2002 and Mittal in 2004.

Taiwan, China charter pact can spur stock gains

REUTERS, Taipei

A deal to allow direct charter flights between bitter rivals Taiwan and China for the first time in more than half a century could boost stock markets when trading opens today, analysts said.

"The talks were much smoother than expected and could spark a January rally," said Michael On, the managing director of Beyond Asset Management, which has US\$60 million under management.

"Three links may be realised within one or two years," he said referring to direct transportation, commercial and communication links between Taiwan and China.

Aviation authorities from Taiwan and China signed a deal on Saturday that will allow the first direct flights between the foes since 1949 to serve the many Taiwanese businessmen working in China to come home for this year's Lunar New Year holidays.

While the one-off deal itself will provide little economic benefit, the deal could lead to the resumption of wider talks stalled since 1999.

"The significance of the talks in Macau were not only to make the deal official, but also in the model of negotiation established," said the Taipei Times in an editorial on Sunday.

Shares in Taiwan's two largest carriers, China Airlines Ltd and EVA Airways Corp, could be the biggest beneficiaries of the charter deal.

From the mainland, airline executives have listed Air China Ltd, China Southern Airlines Co Ltd, Xiamen Airlines and China Eastern Air as possible participants in charter flights.

However, the deal could dent business for Hong Kong airlines Cathay Pacific Airways Ltd and Dragonair, which is majority held by Chian National Aviation Corp. The Taipei-Hong Kong route is one of Cathay's most profitable.