



Programme launched to support SMEs

STAR BUSINESS REPORT

In a bid to offer better business services including accounting, marketing, IT and management consultancy, Katalyst, a service provider, yesterday launched a programme exclusively for small and medium enterprises (SMEs).

The programme titled 'More Business' was inaugurated in Dhaka at a function where Golam Hossain, joint secretary of the commerce ministry, attended as chief guest. He read out a message of Commerce Secretary Siddiqur Rahman Choudhury, who was supposed to attend the launching ceremony.

"There are six million SMEs in Bangladesh now and their role in the country's economy needs to be highlighted," he observed.

Prashant Rana, general manager of Katalyst, said contribution of

the SMEs to Bangladesh's GDP is around Tk 781 billion which is quite encouraging.

However, SMEs in Bangladesh are facing different problems including access to finance and marketing, he observed.

Aly Zaker, chief executive officer and managing director of Asiatic Marketing Company Limited, said the future of Bangladesh is embedded in SMEs. Describing the power of branding, he said it is not possible with money alone. "It needs technology and foresight."

Lars P Reichelt, chief executive officer and managing director of Sheba Telecom Pvt Limited (On behalf of Banglalink), Syed Fahim Munaim, managing editor of The Daily Star, and M Sajidur Rahman, head of consumer banking of Standard Chartered Bank, also spoke at the function. Sheba Telecom and Standard Chartered

are co-branding partners while The Daily Star is the media partner of 'More Business'.

Reichelt said SMEs are the thriving engine of growth and they represent 97 percent of all the employees in Bangladesh.

The Daily Star has been advocating for the promotion of SMEs long before it became the media partner of 'More Business', said Fahim Munaim. "And The Daily Star will continue to do so."

Sajidur Rahman said access to finance and infrastructure are very important for the growth of SMEs.

Manish Pandey, manager (Services) of Katalyst, said lack of good marketing services is one of the reasons of failure of most businesses in Bangladesh and Katalyst is going to promote a better way of doing business. Later, he conducted a presentation on the 'More Business' brand.

Agora opens new outlet at Sobahanbagh

Chain superstore Agora opened a new branch in Sobahnbagh on Tuesday.

Afroz Rahim, chairman of Rahimafroz Group, the owning company of Agora, inaugurated the fourth outlet of the superstore at PlazaAR on Mirpur road.

Customers of Dhanmondi area will now be able to enjoy a hassle free shopping experience in Agora with quality products and competitive prices, says a press release.

Feroz Rahim, CEO of Rahimafroz Group, and Niaz Rahim, managing director of Rahimafroz Superstores Ltd, among others, were present at the inaugural ceremony.

TMT steel bar producing plant opens

STAR BUSINESS REPORT

A local steel manufacturer has introduced the first thermo mechanically treated (TMT) steel reinforced bar manufacturing plant in the country against the backdrop of huge demand for more strength in civil engineering infrastructure.

AMK Steels Limited commenced production at its Ghorasal unit in Narsingdi on Tuesday.

CM Alam, managing director of IPDC, inaugurated the mill while Mafizuddin Sarker, managing director of ILFSL, M Nazrul Islam, managing director of Jamuna Bank, and TK Podder, managing director of Prime Finance, were also present at the function.

Civil and structural engineers have over the past few decades been demanding a deformed bar with high yield strength to be used in RCC works. The new TMT steel bar is more sophisticated compared with other graded bars in strength and resisting earthquake. The locally available graded steel bars are older in quality and poorer in grade, a speaker observed at the inauguration.

Besides, the customers will be benefited from using these bars in terms of both financial package and durability in construction, he said adding that it is possible to save around 12 percent construction cost using the new steel bars of the company.

Pakistan tea delegation to arrive Dhaka

UNB, Dhaka

A high level delegation of tea importers and traders from Pakistan will arrive here on May 29 on a five-day visit.

The delegation, led by the chairman of Pakistan Tea Association (PTA), is expected to meet Commerce Minister Altaf Hossain Choudhury, chairman of Bangladesh Tea Board, officials and members of Tea Traders of Bangladesh (TTAB) and Bangladesh Tea Association (BTA) and tea exporting houses in Chittagong.

During the visit, they will also visit some tea estates in Sylhet, Bangladesh Tea Research Institute at Srimangal and attend a tea auction.

A memorandum of understanding (MoU) signed between PTA and BTA in Karachi in December, 2004 is likely to be updated during the visit of the Pakistani team.

The visit is very important for the mutual interest of both the countries to boost tea trade, said a press release of the BTA.

S'pore central bank sticks to tight policy

REUTERS, Singapore

Singapore's central bank reaffirmed yesterday its policy for currency appreciation despite the International Monetary Fund's suggestion it should relax its current tight policy if domestic economic growth slows further.

"We refer you to our monetary policy statement issued on the 12th of April where we said we would maintain our policy of allowing a modest and gradual appreciation of the trade-weighted Singapore dollar," a Monetary Authority of Singapore (MAS) spokesman said.

"We have nothing more to add at this point," he said. In its latest economic survey, dated May 23, the International Monetary Fund said Singapore's central bank may need to relax its current tight monetary policy to a more supportive one if its domestic economy slows further.

RUN-UP TO BUDGET FY06

Measures needed to curb inflation

International Chamber of Commerce-Bangladesh Banking Commission Chairman and Citibank NA Bangladesh CEO Mamun Rashid (MR) talks to The Daily Star (DS). Rashid speaks on the overall economy of the country ahead of the budget for the next fiscal year. Following are the excerpts:

DS: The rising trend in inflation has been a matter of concern. How do you think the next budget can address this issue?

MR: Inflation is always and everywhere a monetary phenomenon as Nobel laureate economist Milton Friedman has argued but the rising trend of inflation has some how been contained in 2004 and I am sure the government will take enough measures in the next budget to address the rise of inflation and also try to reduce food prices, which is one of the main causes of inflation. Bumper 'Boro' harvest should help the situation. The higher price, to some extent, is not domestically induced. Rather it is attributed to an increase in international prices, particularly of several food items as well as items such as steel and oil.

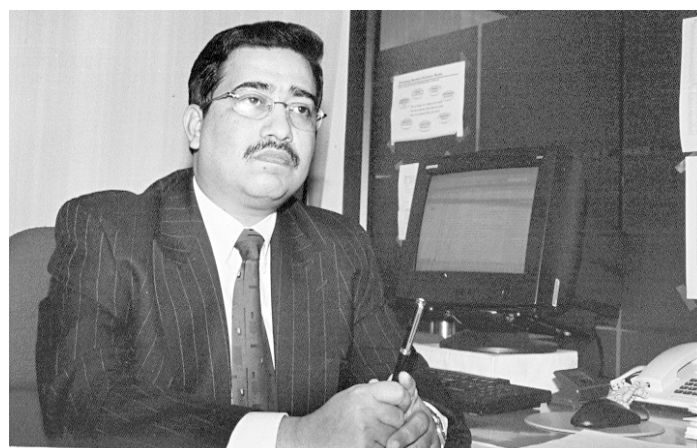
Feroz Rahim, CEO of Rahimafroz Group, and Niaz Rahim, managing director of Rahimafroz Superstores Ltd, among others, were present at the inaugural ceremony.

Overall economic performance in FY2004 in Bangladesh points to an improvement with the possibility of higher GDP growth forecast. The balance of payments has further improved, due largely to a strong remittance growth and a resulting higher current account surplus. This has resulted in a further build-up in the foreign exchange reserves. Despite a shortfall in revenue collections, budget deficit is likely to be lower than projected, because of underperformance in development spending. But to check the rising trend in inflation the central bank should also allow the money supply to grow at the same rate as that of real GDP growth. Otherwise, the imbalances in aggregate demand and aggregate supply would induce price inflation.

While taka-US\$ rate is to some extent stable, but in real effective terms, the exchange rate might also experience some depreciation reflecting the decline in the value of the dollar against major currencies, as well as for demand supply gap in the local market.

DS: The central bank has been giving signals for a rise in interest rate. Do you think such a step will have an impact on the economy?

MR: Definitely the rise of interest rate would have impact on the economy. However, we also need to understand that given the scenario, the central bank has little choice from the short-term perspective. However from a long-term point of view, we would never be able to finance investments to give the economy a boost with such short-term monetary management approach. Surely we need to curtail import and investments in non-priority sectors. But we also need to accelerate investments in priority



Mamun Rashid

sectors like infrastructure, which would provide the necessary incremental growth in the economy and eradicate poverty. There would always be a time gap or high gestation period for these investments to generate required economic benefit and therefore financing these would always be difficult. But we have to do that. So, we need to view the issue as more of a financing issue and not much of monetary management issue and consider alternative financing options to accelerate economic growth.

DS: The capital market is far from taking a firm footing despite various reforms. The recent topsy-turvy behavior and the Premier Bank incident proved it all the more. What could be done to revamp the market?

MR: The main issue is basically corporate governance and capacity building. There has been some positive development with respect to corporate governance, but still we have a long way to go. To implement corporate governance we need to build strong capacity in policy formulation and implementation as well as in the private sector. The prevalent attitude that whatever negative happens, government would have to come up to bail out, is very disturbing. We are in a market-based economy, because we believe that market would allocate resources most efficiently and punish any inefficiency. Government's main challenge should be to make sure the best possible transparency exists in the market. Private sector would have to take responsibility to assess all risks and take appropriate measure to mitigate those risks, instead of always hoping that Government would always save them in any adverse situation. In order to avoid Premier Bank

kind of situation, apart from fixing the governance side of it, Securities and Exchange Commission (SEC) can think of shifting from its 'net asset value' based pricing mechanism and focus on 'price of the similar shares', 'net present value of the discounted cash flow', while making the initial public offer (IPO) pricing of a share floatation. If 100-taka share becomes 500-taka just after the listing, the allotment to own the shares also remain very high, as we have noticed.

DS: What you think are the major challenges for the economy for the next year?

MR: Year 2006 will be a crucial year for the Bangladesh economy. The country has to face few major international events and also with the phase out of Multi-fibre Agreement, Bangladesh now has to compete in an open international market. Our study reveals that order book size of the top RMG manufacturers is still healthy. Impacts, if any, shall surface beyond the middle of 2005. Despite the recent drop in international oil price after the hike, the price level has apparently established its new floor. Price hike of diesel, kerosene and gas will contribute to inflation, resulting into perhaps weaker currency and higher import cost to the nation.

However, things are not beyond control, impact of these events could be mitigated through appropriate fiscal and monetary policies, easier financing options, regulatory changes. Steady growth in GDP will result in an upturn in economic activity. This coupled with the government's relaxation of FDI policies and the fact that many foreign investors are likely to invest in this country could be the possible signs of an economic upturn. We believe that for the country as a whole, the story is fundamentally strong and



PHOTO: STAR

M Sajidur Rahman (L), head of consumer banking of Standard Chartered Bank, Syed Fahim Munaim (2-L), managing editor of The Daily Star, Prashant Rana (3-L), general manager of Katalyst, and Lars P Reichelt (R), CEO and managing director of Sheba Telecom Pvt Ltd (Banglalink), among others, pose for photographs in Dhaka yesterday at the launching ceremony of 'More Business', a programme to promote SMEs.

Development hinges on corporate governance

BEI-CSE workshop told

STAR BUSINESS REPORT

Speakers at a workshop yesterday put emphasis on corporate governance for the country's overall economic development.

They said corporate governance not only improve the efficiency and performance of a company but also contribute to the development of a country.

They were speaking at the workshop on corporate governance jointly organised by Bangladesh Enterprise Institution (BEI) and Chittagong Stock Exchange (CSE) in Dhaka.

Speaking at the function as chief guest, Securities and Exchange Commission (SEC) Chairman Mirza Azizul Islam said corporate governance mainly depends on four basic

elements, which include fair and equitable treatment for all stakeholders, full and objective disclosure of the companies' financial statements, compliance with regulatory requirements, and corporate ethics.

"Although the awareness for corporate governance is increasing day by day, we have to go long way to establish corporate governance."

Fakhruddin Ahmed, former governor of Bangladesh Bank, said only corporate governance can improve the financial sector.

CSE President Habibullah Khan said corporate governance is the key to progress of both private and public sector companies.

Making a multimedia presentation at the workshop, BEI President Farooq Sobhan said corporate

governance is prerequisite for international investment and basis of evaluation for the World Bank and International Monetary Fund.

"It is also important to motivate the domestic investors and develop the capital," he said.

Good governance can help an institution attract local and foreign direct investments, ensure institutional continuity and sustainability, he added.

Three others multimedia presentations were presented by Wendy Werner, consultant of SouthAsia Enterprise Development Facility, Managing Director of Eastern Bank K Mahmood Sattar and Fazlul Haque, principal manager (IT & MIS) of Rahman Rahman Haq, at the workshop.

GMG flies to Nepal from Oct 1

STAR BUSINESS REPORT

Private GMG Airlines Limited is going to launch its flights on Dhaka-Kathmandu route from October 1.

Shahab Sattar, managing director of the airline, announced the new international destination of GMG yesterday at a press briefing in Dhaka. Bangladesh and Nepal signed a

memorandum of understanding (MoU) on Monday to update the air service agreement (ASA) between the two countries for expansion of aviation operations.

Chairman of the Civil Aviation Authority of Bangladesh AKM Harun Chowdhury and Joint Secretary of the Ministry of Culture of Nepal Yanga Prasad Goutam signed the

MoU on behalf of their countries in Kathmandu.

"Following the MoU we can now carry 3,500 passengers per week and the MoU also allows free frequency between Bangladesh and Nepal," Sattar said.

Sattar said with a 140-seated aircraft, GMG will operate its flights on the new route.



PHOTO: AKM STEELS

The first thermo mechanically treated steel reinforced bar manufacturing plant of the country commenced production on Tuesday. CM Alam, managing director of IPDC, inaugurated the production commencement while Mafizuddin Sarker, managing director of ILFSL, among others, was present at the function.

Japan, Malaysia agree on FTA

AFP, Tokyo

Japan and Malaysia reached an agreement Wednesday on a free-trade agreement (FTA) that will open up a major new market for Japanese automakers as Kuala Lumpur agreed to lift tariffs on Japanese cars within 10 years.

Japanese Prime Minister Junichiro Koizumi and his Malaysian counterpart Abdullah Ahmad Badawi signed off during a Tokyo meeting on the FTA outline hashed out in weekend negotiations in Kuala Lumpur.

"The two leaders agreed to expedite work in finalizing the text of the (FTA) so as to enable it to come into force as early as possible," a joint statement said. The major sticking point that was resolved was on letting Japanese automakers to enter the market in

Malaysia, which has historically tried to build its domestic auto industry.

The agreement said Malaysia will immediately, as of the formal signing of the FTA, eliminate tariffs on knocked down auto parts for Japanese carmakers in Malaysia.

It will completely eliminate tariffs on Japanese finished cars by 2015, "starting with the larger ones," the joint statement said.

China insurance market to keep WTO promise

ANN/CHINA DAILY

China will continue to open up its insurance market in line with its World Trade Organisation (WTO) commitments, a top regulator said yesterday.

According to Wu Dingfu, chairman of the China Insurance Regulatory Commission (CIRC), the local insurance industry has already benefited from foreign expertise and know-how.

"Foreign insurance companies' management methodologies, know-how, and products have undoubtedly given a lift to the Chinese insurance industry, which is still in an early development phase," he said.

"At the same time, foreign insurers themselves have witnessed fairly good development," he told reporters at the CIRC-sponsored China International Insurance Forum.

"Although the opening up of the insurance sector under the WTO commitments has been fairly broad, insurance appears to be among the sectors that has benefited (from the opening up)," he added.

China lifted nearly all geographic and business scope restrictions on foreign insurers near the end of last year, basically fulfilling commitments made more than three years ago upon entry into the WTO.

CIRC officials said negotiations are under way on the removal of remaining restrictions on foreign insurers, including the right to offer motor vehicle third party liability insurance and set up wholly owned foreign life insurance businesses.

Thirty seven foreign insurers have entered the hugely promising Chinese market, which has averaged 30 per cent annual growth over more than 20 years. Although they hold a less than 3 per cent market share, foreign insurers' growth has been accelerating in recent years, particularly in relatively wealthy coastal areas such as Shanghai.

PALLAB BHATTACHARYA, New Delhi

India is preparing an improved offer to open up its services sector through ongoing negotiations at the World Trade Organisation in Geneva in the run up to the crucial ministerial conference in Hong Kong later this year.

Indian Commerce Secretary SN Menon told a workshop for officials here yesterday that the commerce and industry ministry is expected to secure an approval from the federal cabinet this week for a revised offer under the General Agreement on Trade in Services (GATS). The deadline for submitting the revised offer in services is May 31.

"The revised offer will be a little more ambitious than our earlier offer," Menon said without elaborating.

He said India has "offensive interests" in liberalising the services especially in cross-border supply of services including business processing outsourcing.

India has received requests from other WTO member-countries for opening up its insurance, legal, accountancy, retail and telecoms sectors. On its part, India too has requested for various sectors abroad.

Services sector contributes more than 50 percent of India's gross domestic product (GDP) and is rapidly growing further.

Menon said if India can make "aggressive" offers, it will negotiate better deals with other countries for opening up services market of its own interest.

Under the WTO system, negotiations in services trade are conducted through offers and requests.

According to Menon, India's priorities in agricultural negotiations includes seeking of removal of trade-distorting subsidies, reduction in the level of protection in developed countries and adequate protection to low-income and subsistence farmers in the country.

For India, agriculture remains the centerpiece of WTO negotiations with the US and European Union as two-thirds of Indians are farmers.