



FBCCI demands weekly holiday on Sunday

New committee takes over

STAR BUSINESS REPORT

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday demanded one-day weekly holiday on Sunday instead of Friday-Saturday weekend, as the new leadership took over charge of the country's apex trade body.

The newly elected president and immediate past president of the FBCCI preferred Sunday as weekly holiday to existing Friday as it is parallel with the western world.

They were addressing the 30th annual general meeting (AGM) of the FBCCI at Osmani Memorial Hall in Dhaka where the newly elected executive committee sworn in. Anisuzzaman, chairman of the FBCCI election board, administered oath of the new executive directors of the FBCCI.

The government on Monday declared a two-days' weekly holiday with effect from Friday next to cushion the country's economy from the effects of worldwide energy price hike.

Mir Nasir Hossain, new president of the FBCCI, said country's business activities will remain isolated from the world for around three days if two-days' weekly holiday is introduced.

"We cannot afford two-days' holiday. I rather feel that we should

work seven days of the week to remain competitive in the present globalisation scenario," he observed.

Echoing Hossain, outgoing president Abdul Awal Mintoo said the two-days' weekly holiday will hinder the economic growth of the country.

He, however, said if it is not possible for the government to announce Sunday as holiday, the government should declare Saturday and Sunday as holidays instead of Friday and Saturday.

Both the leaders were also critical of oil and dollar price surge and increasing rate of inflation.

Besides, increase in cash reserve ratio (CRR) and statutory liquidity ratio (SLR) by the Bangladesh Bank have aggravated the present economic situation, they observed.

Hossain said the fresh oil price hike will affect the country's economic growth in the long run. "Rather the government should look for other means to overcome the crisis. More emphasis should be given for exploring new gas fields and optimum use of gas to reduce dependency on oil," he said.

Applauding the role of Rapid Action Battalion to improve the country's law and order, he, however, said the government has to

take further initiatives to ensure the safety and security of business community as well as common people.

In his maiden speech Hossain said after the Liberation War, a vibrant group of entrepreneurs dedicated themselves to build the country's economy in the face of numerous obstacles. Following their path, the new generation entrepreneurs have also proved their worth in all spheres.

To face the challenges and take the advantages of the free market economy the FBCCI should play a vital role, the new president said.

He also underscored the need of developing the capacity of the FBCCI for performing the duties smoothly. "Neither the FBCCI nor any other trade body is well equipped and efficient enough to cater to the needs of the private sector."

Emphasising political reform, Mintoo said nothing can be achieved without political reform. "The new executive committee should work earnestly in this regard," he said adding "Without a political stability, all efforts to create a business friendly environment will come to no use."

Mintoo said as the prices of oil and food have risen extensively in the international market, local small economies are suffering a lot.

The outgoing president said the business environment in the country is suffering due to dollar crisis. "Increased prices of imported goods in the face of higher international oil prices combined with the rise in import prices due to taka depreciation have also fuelled inflationary pressure on the economy," he said.

Regarding the national budget and fiscal policy he said the budget instrument is prepared with meticulous care and consultation, but the same are not followed while implementing it. The government should be more careful while implementing the budget and fiscal measures for economic growth of the country, he urged.

"For a healthy growth of capital and investment, the government should provide credit at lower interest rate," he said adding that it has become all the more important for facing the post-MFA period to attain competitiveness.

Termining the private sector as engine of growth Mintoo said congenial atmosphere has to be created along with reduction of duty charges on raw materials for proper growth of this sector.

He also presented the annual report of the FBCCI and other agendas for the year 2004-05 at the AGM.

OIL SHOCKS AND ECONOMY

Bangladesh Bank (BB) Governor Salehuddin Ahmed had a chequered career in management at international level spanning over thirty years before he became the chief of the central bank early this year. Salehuddin also headed PKSF, the government agency for funding microcredit programmes for several years. He talked to The Daily Star about the recent fuel price hike, increased interest rate and contractionary monetary policy of the government.

Petroleum price may further fuel inflation rate

JASIM UDDIN KHAN

DS: The govt. is receiving mixed reaction regarding the recent domestic fuel price hike following increasing fuel prices internationally. What impact do you think this hike is going to have on Bangladesh economy, which is seemingly sensitive to oil price movement? What measures do you think Bangladesh should adopt to mitigate any negative impact on the economy?

Governor: The second oil shock traumatised by hurricane Katrina, which raised the oil price by more than 40 percent to around \$70 a barrel, has at least threefold impacts on our economy. First, the risk of thinning out of our hard earned foreign exchange reserve. Second, pressure on fiscal stance and third aggravation of inflationary situation.

Import payments for petroleum and petroleum products augmented drastically by 62 percent in FY05 against only 29 percent in last fiscal year. This has caused additional payments of more than half a billion dollar squeezing forex reserve position. If the price per barrel continues to hike, the developing economies, especially the poor ones, would face unprecedented challenge.

As for the price level, our present challenge is to stabilise inflation rate. One caveat the pro-poor growth momentum is facing is the rise in inflation rate (6.5% in June 2005) -- not only caused by the aftermath of the flood last year and rise in commodity price around the globe but also due to a rapid increase in the credit expansion. Shortage of some food items in the domestic market, first round energy price adjustment and market volatility of exchange rate also contributed to the inflation. The latest rise in the petroleum product price has now turned out to be the most dominant threat. It could further fuel the flame. The present round of upward adjustment of fuel price would rise cost of transportation and other energy intensive goods and services.

As for the fiscal and other policy stance, it is up to the government to decide among several alternatives how to row against the tide. The recent decision of the government to increase the fuel prices may ease the pressure on government budget because a huge amount of subsidies is given on fuel import by the BPC. We should now encourage and facilitate conversion of vehicles to be run by CNG and shorten shopping hours and number of weekly working days.

These measures are necessary to restrain



Salehuddin Ahmed

general price spiral. The recent contractionary monetary measures including rising of SLR/CRR would curtail aggregate demand. We are optimistic that despite the external shocks we would be curtail inflationary expectations. It should be pointed out that many countries including our neighbours have also decided to increase the fuel prices to ease budgetary pressure.

DS: Govt's recent contractionary monetary policy is being driven by the intent to increase the lending rate in the financial market. How do you think this is going to impact the investment scenario of the country?

Governor: Contractionary monetary policy pursued by the Bangladesh Bank (BB) is not mainly led by the interest rate as interest rates are sticky and interest elasticity of money demand or credit demand is low. Higher interest rate is necessary sometimes to avoid financial repression, particularly in the developing countries. As you know the BB has liberalised interest rate since early 1990s and the rate is now being determined by the banks themselves and not by the BB. Seeing that real interest rate has fallen very low as the inflation rate has risen, banks are now compelled to offer higher nominal interest rate, or in other words, positive real rates to attract their deposits, without which credit expansion and rise in investment would not be possible. I hope the banks would lower the nominal rates as soon as inflation situation improves. All these are dependent on the market fundamentals.

If you allow me to add, the concern about higher interest rate is based on misperception. If

you look at the data, weighted average lending rate for all private commercial banks (PCBs), which stood at 12.62 in June 2004, went slightly down to 12.09 percent in June 2005.

DS: There are widespread apprehensions regarding the recent domestic political developments and FDI scenario. Do you think it is going to have any serious impact on the FDI inflow in the country?

Governor: The political risk is common, though in different magnitude, in all the countries of the world. Multinational Enterprises take it as given and consider it before they invest in any country. Though the extent and depth of the recent event was unprecedented, still foreigners and locals are convinced that the government would be able to uproot terrorism, as the people of the country are moderate and secular. Thereby, I think the FDI flow will not be hampered. Recent trend also supports it. In fact, Indian, Korean, Middle-eastern and Japanese FDI flows are on the rise. The recent visits by high level foreign delegates from Abu Dhabi, India and visits of many private investors from abroad provide ample proof that foreigners are interested to bring more FDI in Bangladesh.

DS: The recent drastic devaluation of taka against USD has been a major source of concern and has also spurred a lot of debate. As a senior banker please express your views on this.

Governor: Temporarily, we have lost purchasing power parity with some countries of the world. As the difference between our inflation and rates and that of our trade partners have widened, fluctuation in the exchange rate has become a necessary consequence. In the short run, exceptional rise in food prices, price of imported goods including fuel and inability of some banks to match the forex supply with demand for L/C opening and settlement have caused the so called dollar shortage. The commercial banks have taken steps to correct the mismatch. To reduce volatility in exchange rates and facilitate orderly adjustment of the rates in the forex market, the central bank has released foreign exchange from its reserve on several occasions.

The monetary policy along with proper measures by fiscal and commercial policies, I hope, would very soon stabilise both the exchange rate and inflation rates at a reasonable level.

9 cos get \$3 lakh spot orders in Frankfurt fair

UNB, Dhaka

Nine Bangladeshi export-oriented companies got spot orders worth US\$3 lakh at Tendence Lifestyle-2005 at Frankfurt, Germany.

According to the Export Promotion Bureau (EPB), the companies also got possible orders of \$5.80 lakh at this international fair that concluded on August 30.

The nine companies are Jahan Metal, Folk International, Confidence Handicrafts, BAIN Textile, Friendlink International, Kumudini Welfare Trust, Promotion of Women Entrepreneurs, The Source and Banaj Barnali. They joined the fair with help from EPB.

A total of 3,400 export-oriented companies from 81 countries joined the fair of autumn/winter consumer products.

Fifteen other Bangladeshi companies also joined the fair on their own and drew attention of the visitors and buyers.



PHOTO: STAR

Newly elected President of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Mir Nasir Hossain delivers his maiden speech after taking charges at the 30th annual general meeting of the FBCCI at Osmani Memorial Hall in Dhaka yesterday. Outgoing president Abdul Awal Mintoo and first vice-president Kamaluddin Ahmed, and newly elected First Vice-president Mohammad Ali and Vice-president Dewan Sulatan Ahmed are also seen.

Handloom fabrics fair begins in Ctg

UNB, Ctg

The government has taken initiatives to build organisational infrastructure for proper marketing of handloom fabrics. Textiles and Jute Minister Shajahan Siraj said yesterday.

"Handloom owners are being deprived of fair prices of their products for lack of an organised marketing system," he said.

He was addressing at the inauguration of the month-long handloom fabric fair in Chittagong.

The minister stressed the need for innovative designs of local fabrics to attract buyers and get fair prices.

The minister said the country's handloom fabrics meet about 40 percent of local demand and the ministry has taken up a project for setting up a centre for training in fashion design.

Fisheries and Livestock Minister Abdullah Al-Noman also attended the programme as special guest.

Islamabad keen to set up shipping line with Dhaka

UNB, Dhaka

Pakistan has shown keen interest to establish shipping line with Bangladesh to strengthen bilateral trade relations.

Pakistan High Commissioner Alamgir Babar said this when he called on Industries Minister Matiuur Rahman Nizami in Dhaka yesterday.

During the meeting, the minister stressed the need for exchange of delegations between Bangladesh and Pakistan and effective discussion among industrialists and businessmen to bolster economic co-operation.

The minister sought co-operation from Pakistan in carrying out a BMRE (balancing, modernisation, renovation and expansion) programme in the country's old sugar mills.

BB relaxes forex guidelines

STAR BUSINESS REPORT

The commercial banks will no longer require Bangladesh Bank's (BB) approval to buy cheques from foreign embassies or international organisations or foreign nationals employed in Bangladesh.

The BB in a circular yesterday relaxed its guidelines for foreign exchange transaction to ease pressure on the ongoing foreign dollar crisis.

A BB source said it often takes time if the banks have to take permission from the BB, besides since the banks are suffering from dollar

crisis they will also be benefited by acquiring dollar from foreign nationals.

The source also said there is also little risk in this kind of transaction as these people work for international organisations it is very unlikely for them to indulge in any sort of irregularities.

However, while buying cheques from foreign nationals the banks need to be fully satisfied about collectivity of cheque proceeds in foreign currency within four weeks of purchase as well as make sure that there is no difficulty in collection of the cheque money.

ADB urges govt to expedite fund utilisation process

UNB, Dhaka

Asian Development Bank (ADB) yesterday urged the government to expedite the process of utilising its US\$ 50 million assistance for the development of SME (small and medium enterprise) sector.

Newly appointed Bangladesh Resident Mission Chief of ADB Hua Du made the request when she met Industries Minister Matiuur Rahman Nizami at his office.

According to sources, ADB promised to provide this support last year to promote the country's SMEs and the fund will be released soon.

Out of the total amount, US\$ 30 million will be utilised to support the SME entrepreneurs under a credit programme to be co-ordinated by the central bank.

The rest US\$ 20 million will be utilised by the industries ministry for different technical support programmes, including enhancement of training programme.

Under the programme, the industries ministry has taken a move to strengthen its Small and Cottage Industry Training Institute.

The industries minister sought continuous ADB support for the promotion of the country's SME sector.

He said the government is giving special thrust to development of the SME sector. "Strong emphasis is laid in the recently declared Industrial Policy 2005 and in the Poverty Reduction Strategy Paper (PRSP) as well," he told the ADB mission chief.

He also mentioned that a high-level taskforce and an advisory panel were also working to sketch out the strategies for promotion of the SME sector.

After the meeting, the ADB mission chief told reporters that the meeting was part of a courtesy call after she took over charge as the mission chief.



New president of ICSMB

Mohd Sanullah has recently been made the new president of the Institute of Chartered Secretaries and Managers of Bangladesh (ICSMB).

The ICSMB Council Meeting elected him president for 2005-2006 term, says a press release.

Prior to his new position, Sanullah was officiating as senior vice president of the institute. He is the company secretary of Singer Bangladesh Limited.

Mohammad Asad Ullah was elected senior vice president, while Mde Abdus Salam was elected vice president of the institute at the meeting.

Tatas to invest \$9.1b in Jharkhand state

REUTERS, Kolkata

The Tatas, India's second largest business group, plans to invest 400 billion rupees (\$9.1 billion) to set up a steel mill and power plant in the eastern state of Jharkhand, the chief minister said.

The group plans to set up a 12 million tonnes steel mill, a 2,500 megawatt power project and a township in the mineral rich state, Arjun Munda told reporters on Monday.

"The memorandum of understanding will be signed this week," Munda said. He did not give details on the time frame.

The board of Tata Steel Ltd, India's largest private sector steel maker, has already cleared a proposal to invest up to \$8 billion to set up an integrated steel plant in Jharkhand.