

# BB mops up Tk13,597cr in 6 days to curb inflation

Govt borrowings cross target before end of FY06

REJAUL KARIM BYRON

The central bank has withdrawn Tk 13,597 crore in just six days through reverse repo instrument to minimise inflationary pressure stemming from high government borrowing.

The Bangladesh Bank (BB) withdrew the amount between June 25 and July 2, 2006. The central bank withdrew Tk 2608 crore alone yesterday. The BB withdrew Tk 1700 crore on June 29, Tk 2950 crore on June 28, Tk 1976 crore on June 27, Tk 2216 crore on June 26

and Tk 2147 crore on June 25.

A high official of BB said usually the government borrowings from commercial banks increase at the end of a financial year. "High government borrowings lead to inflation," the official clarified.

The BB however is also mopping up the amount from the banking channels to curb the inflation.

Sources said the government borrowings reached only around Tk 800 crore in July-May period in the just concluding fiscal year but the

borrowings rose to Tk 4919 crore on June 21, 2006.

The government in its revised budget for the last fiscal year estimated to borrow Tk 4911 crore but the borrowings crossed the target on June 21. Banking sources said the amount of borrowings may reach Tk 7000 crore.

The huge borrowing is the result of the government's failure to achieve revenue collection target and attract foreign aid.

Besides, the pace of development

expenditure of the government has increased, which creates extra pressure on inflation. The government in the last date of the fiscal 2004-05 also borrowed more than Tk 4000 crore to meet the expenditure.

The inflation rose to 7.46 percent in April 2006, which was 6.17 percent in March 2006. The inflation rate of the latest months (May and June) is yet to be calculated by the Bangladesh Bureau of Statistics, but sources said the rate will increase further during the period.

## Pragati Ins declares 30pc dividend

Pragati Insurance Ltd has declared a 15 per cent cash dividend and a 15 per cent stock dividend for the year 2005.

The dividend was announced at the 20th annual general meeting (AGM) of the company held on Wednesday in Dhaka, says a press release.

Chairman of the company Khalilur Rahman presided over the AGM, which was attended, among others, by directors Abdul Monem, Mohd A Awwal, Abdul Awal Mintoo, Syed M Altaf Hussain, NJ Chowdhury, Tabith Mohd Awal, Tafis Mohd Awal and ANM Yeaheen and Managing Director AKM Rafiqul Islam.

## Etihad to up Dhaka-Abu Dhabi flights to five per week

Etihad Airways, the national flag carrier of the United Arab Emirates, will increase its flight frequency on Dhaka-Abu Dhabi route to five days a week from the existing four from July 9.

The airline, which started operations in Dhaka on May 4 this year with four weekly flights, will operate on Sunday, Monday, Tuesday, Wednesday and Thursday, says a press release.

"Dhaka is an important route on the Etihad Airways network and we look forward to continued expansion and offering a daily schedule to serve the Bangladeshi communities at home and abroad," says Jill Errington, area manager of the airline.

The introduction of extra service will offer agents and guests more capacity with increased connections to the Middle East and the growing number of worldwide destinations, the release added.

## MICROENTREPRENEURSHIP Citigroup awards nomination closes July 7

The last date of receiving nominations for 'Citigroup Microentrepreneurship Awards' is July 7, 2006, says a press release.

The winners in five categories - 'Best Innovative Micro Business of the Year', 'Best Woman Microentrepreneur of the Year', 'Best Microentrepreneur of the Year', 'Best Microfinance Institution (MFI) of the Year' and 'Best Program for the Hardcore Poor' of the award programme of Citigroup Foundation, the philanthropic arm of Citigroup, will be announced at the end of the selection process.

All nominations for five categories of the awards with complete information are requested to be sent to Palli Karma Shishayak Foundation (PKSF).

The Citigroup Microentrepreneurship Awards programme is locally managed by the PKSF and Citibank NA Bangladesh.

More information is available with Akond Md Rafiqul Islam, assistant general manager (Operations) of the PKSF, at 9126240 ext: 1115 or a t www.asia.citibank.com/bangladesh /corporate or www.pksfb.org.

## DUTY-FREE TREATMENT IN US UNDER GSP

# Certain imports from developing nations lose eligibility

BDNEWS, Dhaka

The United States has decided that certain imports from selected developing countries should no longer be eligible for duty-free treatment under the Generalised System of Preferences (GSP).

Imports of those goods from affected countries must now pay duties at the normal tariff rates on those items, according to a message received here Sunday from the Office of the US Trade Representative (USTR).

The decision followed the outcome of annual review of GSP 2005 that created in 1974 to give 136 eligible developing countries duty-free access for 5,000 different products to the United States.

In 2005, \$26.7 billion in products were imported duty-free from eligible beneficiary countries under the

GSP programme, an 18 percent increase over 2004, with a significant exception to textile and apparel products.

Under the GSP statute, if US imports of a certain product from a specific country exceeded \$120 million in 2005, or if imports of a certain product from a specific country were more than 50 percent of total imports of that product from all countries, imports of that product from that country lose their eligibility under the GSP programme.

These cases examined workers' rights in Swaziland and intellectual property rights enforcement in Pakistan, Kazakhstan, and Brazil. The following petitions remain under review: Uganda (worker rights); Lebanon and Uzbekistan (protection of intellectual property rights); and Bulgaria and Romania (preferential tariff treatment).

The administration also extended or preserved benefits by continuing GSP benefits that would otherwise expire and restore benefits on some goods.

Earlier this year, the Bush Administration restored GSP eligibility to Liberia as a least developed GSP beneficiary developing country and closed reviews of certain country practice petitions without removing GSP eligibility.

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The 20th annual general meeting (AGM) of Pragati Insurance Ltd was held on Wednesday in Dhaka. Chairman of the company Khalilur Rahman presided over the AGM, which was also attended by directors, shareholders and other senior officials.

## SME sector needs proper action plan

Seminar told

STAR BUSINESS REPORT

Small and Medium Enterprises (SMEs) can emerge as the main focal point of the national economy if proper action plan for development of the promising sector is taken up, experts observed at an international seminar in Dhaka on Saturday.

They also highlighted various technical features of how it can be developed as a thrust sector.

Organised by American International University Bangladesh (AIUB), the seminar on Small Enterprise Development was attended by State Minister for Education Ehsanul Haque as the chief guest. Specialists from Thailand and Sweden also spoke on the occasion among local experts.

The speakers at the business session of the daylong seminar chaired by Professor Abu Ahmed, chairman of Bangladesh Shilpa Bank, said 90 percent of the industrial establishments in the south Asian countries are SMEs.

Three keynotes titled Impact of Technology Density on the Agro-processing SMEs: An Insight Study on Bangladesh, Towards a Development Matrix for SMEs: From Developing Economics (Institutional Perspective) and Thai SMEs: Problems and Prospects were presented at the session.

Anwar Hossain and M Shahidul Islam of AIUB presented the first keynote while Akmal S. Hyder, professor of Business Administration, University of Gavle,

Sweden, and Professor Sakit, Royal Institute of Technology, Thailand, presented the second and third keynotes respectively.

Not only in developing countries but also in the developed countries like Japan and Europe, SMEs play a significant role in developing national economy.

They pointed out that there is a huge information gap among general people about such enterprises and the government should play the pivotal role in reducing this gap.

At a questioning session, Professor Sakit laid emphasis on the role of education in developing small and medium enterprises and generating job positions of the overpopulated nation.

## Dhaka should prepare to grow with China, India economies

HSBC CEO tells *The Daily Star*

STAR REPORT

Bangladesh can avail of a tremendous opportunity of economic growth by taking advantages of the rising demand for products and services the Chinese and Indian economies have created, said Michael RP Smith, president and chief executive officer (CEO) of the Hongkong and Shanghai Banking Corporation (HSBC) Limited.

"The economic power will shift from US to Asia. And China and India are emerging as major economic players in the Asian region. So, these two giants will create tremendous demand for various products and services," Smith told *The Daily Star* in a recent interview in Dhaka.

"Domestic demand of these countries will be huge which will provide ample scope for Bangladesh to grow with the two giants," he added.

He also observed that labour market of Bangladesh gives it a special competitive edge in taking advantages of growth of the two giant neighbours.

The 21st century will be the century for Asia while the previous one was for the USA and the 19th was the century for the European Union, the HSBC top official commented.

"We think the banking assets in China will overtake USA's probably in about fifteen years. So, you can reap benefit from that changed scenario," he said, suggesting urgent development of Bangladesh's infrastructure, port facilities and power supply in order to prepare itself in every way for introducing its products to Indian and Chinese markets.

Chief executive officer of the bank also laid emphasis on technological development of the country for being a beneficiary of the global market system.

On HSBC's operation in Bangladesh, he spelled out its expansion plan saying "if an acquisition opportunity comes up, we will put our efforts in opening more branches across the country."

Considering the whole world a single market place, Smith, who has a vast experience of working in Hong Kong, said, "Everybody should try to be competitive."

"Bangladesh has to realise that it is a part of



Michael RP Smith

the global economy whether it likes globalisation or not. Any sort of national protectionism normally backfires," he observed.

He, however, described Bangladesh's present economic growth as satisfactory and suggested developing a proper and workable legal system to ensure a higher growth.

A proper legal infrastructure is key to attracting foreign investment, he opined. In this connection he also lamented that many developing countries underestimate the importance of legal system to lure FDI.

"Australia and Canada did better than Brazil and Argentina in sustaining economic growth as they developed a supervisory legal system," he said.

Dwelling on Bangladesh's banking sector, he said it needs to attain international standard to function as a strong player in the global economy.

"As banks reflect a country's economy, you have to emphasise international standards in accounting, compliance and corporate governance for a developed banking system", Smith

went on, lauding Bangladesh Bank's recent measures for reforms in the sector.

"But the problem is when this regulator decides on something, another problem arises," he pointed out.

While focusing on the country's capital market, the HSBC CEO said, "Development of the stock market is overemphasised for the future of the economy. But this market is very simple here as people do not try for new financial products, they are very happy with what they have. This is not a very efficient way to utilise one's own capital."

The central bank should give some guidelines to boost both the capital and bond markets, he also suggested.

When asked about operations of private commercial banks in Bangladesh, he said some sort of consolidation has to accrue as quite a big number of such banks are in operation.

"Successful people sometimes want to do banking business. But I think we probably need to look forward to consolidation in this market. I am sure that will happen."

Turning to politics, Smith said political stability is a crucial factor for economic growth in a country. Giving an example, he said the UK, US, Hong Kong and Australia have achieved economic success, thanks to strong legal systems and political stability.

When enquired about the HSBC secret of success in Bangladesh, the CEO said his bank has been operating for ten years here. It moved slowly in the beginning, but in the last three years it recorded enormous growth, he asserted, saying HSBC values trust, strength, confidence, honesty and quality which people like.

"Quality is a way of success. Success depends on services and institutional framework. But initially we got staffers who were not familiar with the HSBC system. So, people had been sent to UK, US and Hong Kong to be trained up and this training really helped," Smith maintained.

The HSBC CEO found enormous potentiality in Bangladeshi people. He said, "I have been very impressed with the education, ability and potentiality of Bangladeshi."

"Bangladesh is a home of the real talents that we can use globally," he said with conviction.

## Bangladesh to take part in 14 int'l trade fairs

UNB, Dhaka

Bangladesh will participate in 14 international and single-country trade fairs in different countries in the first six months of 2007 as part of a drive to expand export markets.

The Export Promotion Bureau (EPB) will facilitate participation in these trade shows to build a bridge between local entrepreneurs and foreign buyers.

For the first time, the local entrepreneurs will display their products in some new countries, including Russia, Vietnam, Tunisia, South Korea and Morocco.

EPB authorities hope the exhibitions at the potential destinations will help find newer markets for Bangladeshi commodities.

When contacted, EPB Vice-president Mir Shahabuddin Mohammad told the news agency the fair calendar has been designed with special focus on few products.

"We will start our market-expansion drive from Germany. Our home textiles will be displayed in Frankfurt in a four-day exposition beginning January 10," he added.

The EPB chief said the local drug manufacturers will showcase their finished products in two specialised fairs to be held in Pakistan in January and Vietnam in May.

Besides, two other fairs to be held in Hong Kong and South Korea in March and June respectively will exclusively concentrate on only leather goods and footwear products.

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## WTO GENEVA NEGOTIATIONS

# India hopes for new moves to break deadlock

AFP, New Delhi

India's trade minister said Sunday he hoped for new talks by the end of July to break an impasse in World Trade Organisation negotiations, which collapsed in Geneva on the weekend.

"I hope that there is another meeting by the end of this month," Kamal Nath told reporters in New Delhi Sunday.

A statement by more than 100 developed countries at the WTO talks underlined the need for progress on eliminating trade-distorting subsidies for agriculture in rich

nations "that threaten the lives of millions of poor farmers."

Representatives of developing nations also expressed concern over objections raised by the United States to measures aimed at granting some poor countries the right to protect special products or crucial sectors of their economies.

Washington's refusal to compromise on an offer to lift trade barriers was seen as a key reason for the collapse of the Geneva talks.

## Australia blames lack of flexibility for failure

AFP, Sydney

Australia Sunday blamed a lack of flexibility by major trading nations for the failure to make progress in the latest World Trade Organisation talks aimed at liberalising global commerce.

"We needed to find a way forward on the sticking points of agricultural market access and cuts to the farm subsidies that so distort world trade," Trade Minister Mark Vaile said in a statement.

"Despite intensive discussions with my ministerial colleagues, it is clear that none of the majors arrived