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Govt destroys jute, sugar industries at WB, IMF diktats: AL leader Motia

Finance adviser dismisses the accusation

STAR BUSINESS REPORT

The government has destroyed the country's jute and sugar industries by implementing the World Bank and IMF suggestions, former agriculture minister Motia Chowdhury said yesterday.

"The finance and industries advisers are hell-bent on closing down jute and sugar factories one after another at the diktats of the multilateral donor agencies," Motia, also Awami League (AL) leader, said at a research finding dissemination programme in the capital where Finance Adviser Mirza Azizul Islam was also present.

She also said farmers are now reluctant to cultivate jute and sugarcane, the two important cash crops, as they receive no policy support.

Responding to the accusation, the finance adviser brushed aside the allegation, saying, "I swear in the name of God that neither the World Bank nor IMF even uttered a single word to close down any mill."

The caretaker government recently closed down four state-run jute mills -- People's Jute Mills in Khulna, Karnaphuli Jute Mills and Forat-Karnaphuli Carpet Factory in Chittagong, and Kaomi Jute Mills in Sirajganj. The government found the SoEs non-viable to run.

Power and Participation Research Centre (PPRC) launched its study report on 'Markets and Prices: Triangular Study of Producers, Traders and Consumers'. The study was conducted with the support from Katalyst, a project promoting small and medium enterprises.

Economist Prof Wahiduddin Mahmud, Agriculture Adviser CS Karim, former agriculture minister and BNP leader MK Anwar, Executive Director of BRAC Mahabub Hossain, and Executive Chairman of PPRC Hossain Zillur Rahman also spoke.

Mirza Aziz also said governments have provided around Tk 7500 crore subsidy since 1991 to run the state-run mills. The present caretaker government during the last six months have allocated around Tk 300 crore for the purpose, he added.

Wahiduddin Mahmud criticised the Department of Agriculture Extension (DAE), terming it a 'dysfunctional institution' in disseminating information among farmers.

He said dissemination of information is the most effective measure in creating awareness instead of forming policy to bring improvement in any sector.

In the study report, researchers suggested formulation of a separate national agriculture business policy for bringing discipline in agriculture business.

It is a major risk as the entire agriculture business lacks access to formal financing, according to the study.

The study said the country has no demand estimation or projection for which the government cannot determine the demand-supply balance.

The report also mentioned the local agri-business sector should get more government priority.

The report said the intervention through BDR (Bangladesh Rifles) to check price hike is fundamentally flawed.

Award for best airline introduced

STAR BUSINESS REPORT

The Bangladesh Monitor, a travel journal, has declared to introduce the best airline award from this year in a bid to encourage the national and international airlines to improve their services.

The prize styled 'Monitor-AKTEL Airline of the Year Award' will be given through polls based on comments by frequent travellers about any airlines, Kazi Wahidul Alam, editor of the journal, said at a press conference in Dhaka yesterday.

The passengers will be able to send their opinions online about any airlines by visiting www.bangladeshmonitor.net/award.

The prize giving ceremony for this year will be held in the last week of November. Mobile phone operator AKTEL will act as the title sponsor of the event, while The Westin Dhaka, a five-star hotel, and Galileo Bangladesh, a global distribution system, will be the sponsors.

Javed Tariq, head of Corporate Affairs of AKTEL, San Amalan, general manager of The Westin Dhaka, and Tofael Ibne Solaiman, general sales manager of Galileo Bangladesh, also spoke.

UK firm keen to buy out Oriental Bank

STAR BUSINESS REPORT

A UK-based private equity company is keen to buy out 100 percent stake in the trouble-prone Oriental Bank Ltd, and also eager to invest in other sectors, including power, transportation and IT in Bangladesh.

East Investment, one of the world's largest private equity firms, having 10 billion pound sterling equity, has already communicated with the Bangladesh Bank and other government bodies to purchase Oriental Bank.

The company will also participate in the September 23 bidding aiming to buy the entire share in the bank or the amount available with the minimum of 60 percent with the management of the bank.

Talking to reporters yesterday, Director of Bangladesh operation of East Investment MM Roni said this will be the first investment of the company in South Asia. He also elaborated the company's future social and other investment plans in Bangladesh if it can buy the bank.

He said the company has financial investments in Eastern Europe, USA, Africa and Middle East, and is now looking forward to South Asia. "We have chosen Bangladesh for making a huge investment here and we want to start our investment through buying Oriental Bank," he added.

The East Investment official said if the company buys the bank, it will invest one billion US dollars in next three years in Bangladesh.

US lawmakers vow tighter laws on China toys

AFP, Washington

US lawmakers on Wednesday vowed to enact stricter legislation to prevent potentially dangerous Chinese-made toys from being sold in America, as leading toy firms said safety checks were being boosted.

Lawmakers voiced concern at a congressional hearing over recent mass toy recalls by Mattel and other toy groups affecting millions of Chinese-made toys tarnished with lead paint or other safety defects.

"'Made in China' has now become a warning label," Republican Senator Sam Brownback said at a Senate Financial Services and General Government subcommittee hearing on Chinese-made toys.

"Our toy safety system is not as strong as it should be," said Democratic Senator Richard Durbin.

As lawmakers said stricter laws were being drafted, Mattel chairman and chief executive officer Robert Eckert apologized for multiple recalls initiated by the world's biggest toy maker related to toys tainted with lead paint.

"I want to reiterate my personal apology on the behalf of Mattel," he said.

BGMEA team to attend Moscow apparel fair

UNB, Dhaka

A 20-member delegation of Bangladesh Garment Manufacturers & Exporters Association (BGMEA) will leave for Moscow on September 15 to attend an apparel and textile fair.

The delegation, led by BGMEA vice-president Ferdouse Parveez, will take part in the Federal Trade Fair for Apparel and Textile, which will begin on September 17 and continue till September 20.

Quality of Bangladeshi garment products will be highlighted in the fair, a BGMEA press release said on Thursday.

Five-star Westin Dhaka introduced to guests

The Westin Dhaka on Wednesday organised a function to formally introduce the country's newest five-star hotel to guests, says a press release.

Foreign Adviser Iftekhar Ahmed Chowdhury and Chargé d'affaires of the US Embassy in Dhaka Geeta Pasi, among others, were present at the function at the hotel.

Speaking at the function, Chowdhury said development of infrastructure, including construction of hotels, is essential for tourism development.

Pasi said the striking Westin building is a symbol of the dynamic growth that Bangladesh has witnessed in recent years and represents confidence that this will continue.

"It is crucial that Bangladesh can count on long-term political stability, a healthy legal and economic infrastructure, and equal opportunity for each," she added.

Noor Ali, managing director of Unique Hotel and Resorts Limited, the owning company of the hotel, and San Amalan, general manager of the hotel, were also present.

Lanka weathers drought, conflict

AFP, Colombo

Economic growth in Sri Lanka has accelerated despite a drought and an upsurge in the tropical island's bloody ethnic conflict, according to data out Thursday.

The country's economy grew by 6.4 percent between April and June compared with the same period last year, official figures showed. The corresponding figure in the first quarter was 6.1 percent.

"It's a bit of a surprise, we were expecting 5.8 percent growth in the second quarter," said Vajira Premawardhana, a research director at Lanka Orix Securities. He expects economic expansion of 6.0 percent this year.

However, annual growth in the second quarter of 2006 was higher at 7.7 percent.

"The drought affected the paddy harvest. We also used more thermal power to generate electricity, because the rainfall was not enough to use the cheaper hydro power," said Suranjana Vidyaratne, the census director general.

Economic growth in the first half of 2007 was 6.2 percent, compared with 7.8 percent over the same period last year, the data showed.

Agricultural output growth slid to just 1.6 percent over the six-month period, against 7.9 percent a year ago. Industrial growth fell to 7.2 percent from 7.8 percent while services dipped to 6.8 percent from 7.7 percent.

PHOTO: WESTIN DHAKA

Foreign Adviser Iftekhar Ahmed Chowdhury (L) speaks at a function organised in the capital to introduce Westin Dhaka, the country's newest five-star hotel, to guests on Wednesday in the capital. Chargé d'affaires of the US Embassy in Dhaka Geeta Pasi (2-R), Noor Ali (R), managing director of Unique Hotel and Resorts Limited, the owning company of the hotel, and San Amalan, general manager of the hotel, are also seen.

Dragonair to join oneworld alliance in Nov

Dragonair has announced that it will become a member of oneworld, a leading global airline alliance, on November 1 this year, says a press release.

Dragonair will offer the alliance's full range of services and benefits to its customers and at the same time will enhance oneworld's coverage in mainland China.

"Becoming a member of oneworld is an exciting development for Dragonair and is the latest benefit to result from our becoming part of the Cathay Pacific Group," said Chief Executive Officer Kenny Tang.

oneworld Managing Partner John McCulloch added: "The addition of Dragonair means that oneworld will maintain its lead in this important, fast-growing region."

Dragonair's sister airline Cathay Pacific is one of the founding members of the 10-strong oneworld alliance. Full members include American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LAN, Qantas, Japan Airlines, Malev Hungarian Airlines and Royal Jordanian Airlines. Around 20 other carriers are affiliate members.

PHOTO: STAR

Akku Chowdhury, executive director of Transcom Foods Ltd, the franchisee of Pizza Hut in Bangladesh, cuts a cake to mark the second founding anniversary of CDA Avenue outlet of Pizza Hut in Chittagong on Wednesday.

Building business confidence for accelerated investment-II

MAHBUBUR RAHMAN

The narrow export basket of Bangladesh is likely to face stiff competition as the EU restrictions on RMG export from China will be withdrawn from day one of 2008 and US restrictions from January 1, 2009. In this new competitive scenario, sustaining the current high export growth will be an uphill task in the coming years. Therefore, adequate and special dispensation to our textile industry should be given to meet the demand of the country's garment exporters, thereby avoiding import of yarn and fabrics from competitors.

The government step for streamlining the port operation to facilitate the country's foreign trade is commendable and it is one of the most important achievements. However, the country should look for the future need of a modern and efficient port.

Notwithstanding a number of internal and external factors afflicting the country's economy, impressive disbursement of term loans has led to a moderately high growth in the manufacturing sector in the preceeding fiscal. Robust export growth, buoyant inflow of remittance and improvement in port operation have signalled strengthened performance of the external sector. Invigorated capital market and increasingly competitive telecom penetration stood out as positive outcomes of the economy in FY2007.

The capital market in Bangladesh has been improving remarkably over the past few years. Investors' confidence is on the rise and as a result the market is gaining momentum. With stronger monitoring mechanism against market manipulation in place, this is perhaps the most opportune time for further consolidation and strengthening of the equity market. Bringing in Pension Fund, bonds and securities, divestments of government stakes in various multi-national companies into the capital market, besides introduction of buy-back of shares by the sponsors of the non-performing listed companies to help build sustainable confidence of portfolio investors.

Another important aspect is the on-going process of globalisation and Bangladesh's preparation to face it. Few will contest the fact that globalisation has created many opportunities for dynamic economies; at the same time, more difficulties than opportunities for a country like Bangladesh with a limited capacity to accept the challenges. At present, the country is still experiencing serious problems of duty-free market access (as provided in WTO for LDCs) to the developed countries specially to the USA and even to India, which is exporting in terms of billions of dollars both formally and informally to Bangladesh.

Bangladesh is among 49 LDCs where more than half of the population live on less than one dollar a day. The economies of LDCs are increasingly marginalised in the global trade as their share in global exports is mere 0.4 per cent. The total debt of the LDCs grew from 70 billion US dollars to 135 billion dollars between mid-1980s and mid-1990s. Their cumulative debt almost equals their combined GDP and a fourth of their annual export earnings is spent on debt-servicing. Debt relief, increase flow of FDI to LDCs and unhindered duty-free access of LDCs exports to developed markets are among the key areas that can help reverse the present dire situation for the LDCs in their growth and development.

In fiscal 2008, it will be a major challenge for the country to rehabilitate the agriculture sector and restoration of rural economy through combination of various measures like allocation for development projects with priority to release allocations for rural projects. In this connection the people welcome the government decision for re-allocating Tk 42 billion for post-flood rehabilitation programme. In addition, according to an estimate another Tk 70 billion would be required for the purpose. Immediate disbursement of agricultural loan at easy term should be ensured to plant seedlings after the flood with no time lost to recoup flood loss.

The government has set a growth target of 7.0 per cent for the coming fiscal. It is maintained that all the three major components of GDP, viz. agriculture, industry and service sectors will have to enhance their contribution further to attain this optimistic growth target. Recent slowdown in the growth of gross capital formation and slow private investment, however, does not invoke much optimism in this regard.

ADB and World Bank have expressed fear that GDP may fall to 6.7 to 6.8 per cent from the earlier estimate of 7 percent due to flood, while inflation and budget deficit may go up. To achieve the targeted GDP growth, an additional investement of Tk 200 billion to Tk 250 billion will be required.

In order to achieve increased domestic revenue collection, immediate and careful attention is needed for the modernisation of National Board of Revenue (NBR) to enable it harness much needed revenue; while creating an enabling environment for the tax-payers instead of scaring them away.

Foreign Direct investments (FDIs) are on the decline in recent times. Whatever FDIs we are now having are mostly in the service sector and are largely confined to the telecom, banking, oil and gas exploration, which are not contributing significantly to the real economy. FDIs so far, neither contributed to any major technology transfer nor generated significant employment. On the contrary, they are earning in taka and taking away their profits in dollars; earned by our expatriates and exporters.

The country is falling behind other developing countries in terms of attracting FDI. Diversifying the FDI basket is also emerging as a major challenge. BOI has been stating that investment proposals worth billions of dollars have been received. But how much of this, in reality, are good quality investment proposals?

I may now refer to the recent visit of the Japanese Prime Minister to India during which it was agreed that an industrial corridor linking Delhi and Mumbai will be built with Japanese assistance of US$90 billion. In Bangladesh, we have only been talking of having an economic corridor between Dhaka and Chittagong for the last couple of years!

Despite excess liquidity in banks, investment has not been upto the desired level. We, therefore, sought and still seek lower interest rate to encourage more investment in priority sectors to help establish much needed industrial base for the country.

The country's annual official remittance inflow from the expatriates is about US$6 billion, which has certainly provided a big cushion to the Balance of Payment (BoP) situation in FY07. Besides, the country's annual export earnings have already reached $12 billion and is now targeting US$ 16 billion in the next two years.

If the country can bring in unofficial remittance inflows into official channel it is strongly believed Bangladesh's annual remittance inflow will exceed US$10 billion very soon. Additional export of manpower thru' planned exploration of new markets as well as intensive and extensive negotiation with governments and employers of existing markets should be undertaken to augment remittance; thereby making the country more independent from external assistance. At the same time, streamlining the services to the workers going and coming from abroad -- treating them as VIPs-- are also needed. Side by side, the commercial banks should be encouraged to provide loan at a low interest rate to the workers going abroad to meet their financial requirements.

Another most promising area is the IT sector for fetching the robust and expanding outsourcing business from the developed world. The just concluded visit of Mr. Craig R. Barrett, chairman of Intel, testifies that the country will have the competitive advantage for developing this new window for its export basket.

The caretaker government led by the Chief Adviser Dr. Fakhruddin Ahmed and actively aided by the Armed Forces led by General Moeen U. Ahmed deserves to be commended for the positive actions initiated during the last seven months, which the country hopes, will have a long and lasting impact on the economy.

The Armed Forces have been giving unequivocal support to the caretaker government as 'hands in gloves' for holding a free, fair and credible election by December 2008; of course free of black money and muscle power.

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The write-up is an abridged version of the presentation made by the author, who is the president of International Chamber of Commerce-Bangladesh, at a dialogue between the government and the business community on September 5, 2007.