International Business News

Japan machinery orders post fastest growth in seven years

AFP, *Tokyo*

Japan said Monday core machinery orders, a closely watched barometer of business investment, surged at the fastest pace in more than seven years, easing fears of an imminent recession.

A rise in Japanese bank lending meanwhile suggested that the domestic financial sector remains resilient amid global credit problems, analysts said.

The Cabinet Office said the core private-sector machinery orders, which exclude particularly volatile demand from power companies and for ships, soared by 19.6 percent in January from the previous month.

Market forecasts had been for a much smaller gain of about 3.1 percent.

Economists said large one-off orders for items such as transport equipment were largely behind the sharp increase in orders, which rose for the first time in three months and at the fastest pace since August 2000.

"But it is a good thing to have a positive number anyway because that would ensure capital spending growth at least through the spring," said Tomoko Fujii, head of economics for Japan at Bank of America.

Soaring oil prices hit fight against poverty: Arroyo

AFP, *Manila*

Philippine President Gloria Arroyo said soaring oil prices had hurt her country's fight against widespread poverty despite high economic growth last year.

"We are aware that no matter how much improvement there is at the top of the economic ladder, many of our people still struggle mightily," she said late Sunday, with the text of her comments released Monday.

"The high price of gasoline and everyday commodities hits our poor the hardest," she said in the southern city of Cagayan de Oro.

"While the high price of oil is a global issue outside the control of government, we have nevertheless taken and will continue to take actions to reduce the pain on our people of these high prices."

Official figures released last week showed 3.8 million more people had joined the ranks of the poor between 2003 and 2006, amid cuts in social spending and new taxes to boost a narrow revenue base.

The data showed one in three Filipinos live on a dollar or less per day.

AFP

Britain's Prince Andrew (L), the Duke of York, shakes hands with Indian Minister of State of Industries Ashwani Kumar during a meeting in New Delhi on March 10, 2008. Prince Andrew is on an official visit to India from March 9 to March 15 as the UK's special representative for international trade and investment, supporting UK companies trading internationally and encouraging foreign investment.

Urban, rural income disparity keeps growing in China

AFP, *Beijing*

The income gap between urban and rural areas in China kept growing last year and there is a long way to go to narrow it down, a senior agricultural official said Monday.

"The income gap between urban and rural areas has indeed kept widening," vice agriculture minister Wei Chao'an told reporters at a briefing on the sidelines of the ongoing national parliamentary session.

Per capita net income of China's farmers actually increased by 9.5 percent year on year in 2007 to 4,140 yuan (583 dollars), the fastest growth since 1985, he said.

But the growth rate was still much slower than that in the cities, with the average urban dweller earning 3.33 times as much as rural residents last year, up from 3.11 times in 2002, Wei said.

In 2006, the ratio was 3.28, previous official data showed.

"It will take our long-term efforts to narrow it down," Wei said.

Kuwait telecom giant okays 125pc capital increase

AFP, *Kuwait City*

Shareholders in Kuwait's Mobile Telecommunications Co (Zain) gave their approval on Monday to a 125 percent increase in the group's capital to fund future global expansion.

Zain will raise about 1.2 billion dinars (4.4 billion dollars) by selling 1.42 billion shares to its current shareholders at 0.85 dinars (3.1 dollars) per share.

Zain stocks closed trading on Monday at 15 dollars a share.

The group will also allocate some 950 million shares or 50 percent of the capital as a grant to shareholders.

The process will increase Zain's capital from 189.5 million dinars (697 million dollars) to 428 million dinars (1.57 billion dollars).

TRANSPORT

The slow death of Mongla

SOHEL PARVEZ

In the last two years no buyer has been found for the house, but its owner, dock worker Shamol Sarker, is still hopeful that one-day someone will come to purchase his property and help him wrap up his 39 years in Mongla.

Like Shamol, many other workers who bet their fortunes on Mongla port have put their houses on the market and are trying to leave, pushed away by the slow death of the country's second marine port.

On average over 25 foreign ships a month were docking at Mongla in 2000, now this figure has dropped to below 10 a month, with shipper frightened away by the port's poor image, navigability problems and the lack of road, rail and air transport links.

Mongla's performance is in stark contrast to what has been happening at the country's biggest marine port, Chittagong, that is facing overwhelming loads due to a rise in efficiency.

"It's a very bad situation. I cannot manage even one third of the daily needs of my family while no body wants to lend," said Shamol Sarker who, along with other workers, usually receives no wage if there is no work.

Inactivity of the port not only threatens the family livelihoods of about 3,000 workers but also raises concern among the port users, especially owners of the industrial units who have established factories adjacent to the port.

Its poor performance also acts as a disincentive for investment at the Mongla Export Processing Zone where only a fraction of the hoped for investment has materialised.

Yet experts said the natural seaport can play a pivotal role in facilitating overseas trading activities in the southwest part of the nation, as well as the landlocked countries such as Nepal and Bhutan.

A more vibrant port would also help tackle the emerging regional inequality within the country, and facilitate increased international trade, they said.

The major problem with the port is the poor passage for large ships. Placed at the confluence of Passur and Mongla rivers, about 71 nautical miles (132 kilometers) upstream from the Bay of Bengal, the channel of the sea port suffers from the lack of draft and most of the vessels having over eight-metre depth cannot enter.

Moreover the jetty has a draft of only 4.5 metres during low tide, according to port officials.

"It is simply not economically viable to send our ships there. We cannot load them to full capacity due to the low draft," said an owner of a shipping company in Bangladesh who preferred to remain unnamed.

But the required dredging to keep the channel convenient for the entry of ships had not taken place in the last couple of years. The last capital dredging took place in 2000-2004 said a port official.

With ships no longer making their way to the port, the industrial units that have set up nearby are struggling to get hold of raw materials. The situation has become so bad that some of these are dredging near the port at their own cost to allow the smooth entry of vessels to their jetties.

"We have to spend about Tk 40-50 lakh a year for dredging. These expenses add to our production cost. We are thinking seriously about using Chittagong port for importing our raw materials unless the performance of the port improves," a senior official of the Mongla Cement Factory told The Daily Star last month.

In addition to low draft, the wreckage of sunken ships also threatens the safe navigation and current flow of the channel. There are wrecks of about 15 sunken ships that have fallen victims to cyclones and bombing during the liberation war, according to MPA.

Apart from this, the port suffers from a poor image crisis due to labour unrest and repeated instances of the arrest of ships. In between 1996-2002, some 96 ships were arrested by a section of port users who, by virtue of court orders, managed to halt scheduled sailing.

"We the workers are always blamed for the ailing condition of the port. But the channel has not been dredged for a couple of years and the government has taken no initiative to activate the port," said Omar Faruk Sentoo, vice president of Mongla Bandor Sramik Sangha, a port workers association.

"It needs to be rejuvenated," said Mustafizur Rahman, executive director of Centre for Policy Dialogue, a local research organisation.

Mustafizur said Bangladesh's international trade will have to increase many fold in the coming years, if it is to achieve the higher economic growth rates needed to attain the UN's Millennium Development Goals.

"In order to have more intra-regional trade and also to have closer economic cooperation with China, ports will have to play a key role," said Mustafizur.

"The Mongla port could be an important gateway to global markets," he said.

Mustafizur said the capacity of the Mongla port needs to be substantially strengthened through appropriate intervention such as dredging the port channel, modernisation of handling facilities, strengthening of customs clearance services and efficient human resources.

"The development of the port is also essential to address the emerging problem of increasing regional inequality within the country," he said.

Ashraf Mohammad Iqbal, chairman of the Mongla Port Authority (MPA), was hopeful about the rebirth of the port.

He said the MPA floated a tender for dredging of the channel while it has submitted a Tk 548.43 crore project for a long-term sustainable solution to the navigability problem at the port.

"We are seeking government approval to start the berth operating system for reducing the turn around time for handling cargos," he said. "We are also in talks so that various government agencies import food and fertiliser through the port."

"We are preparing the ground. But it takes time to take off," said the MPA chairman.

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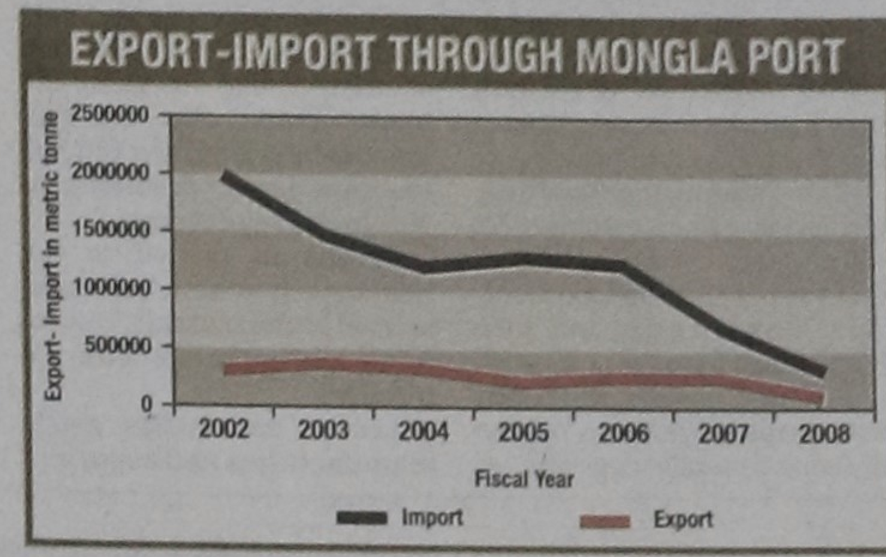
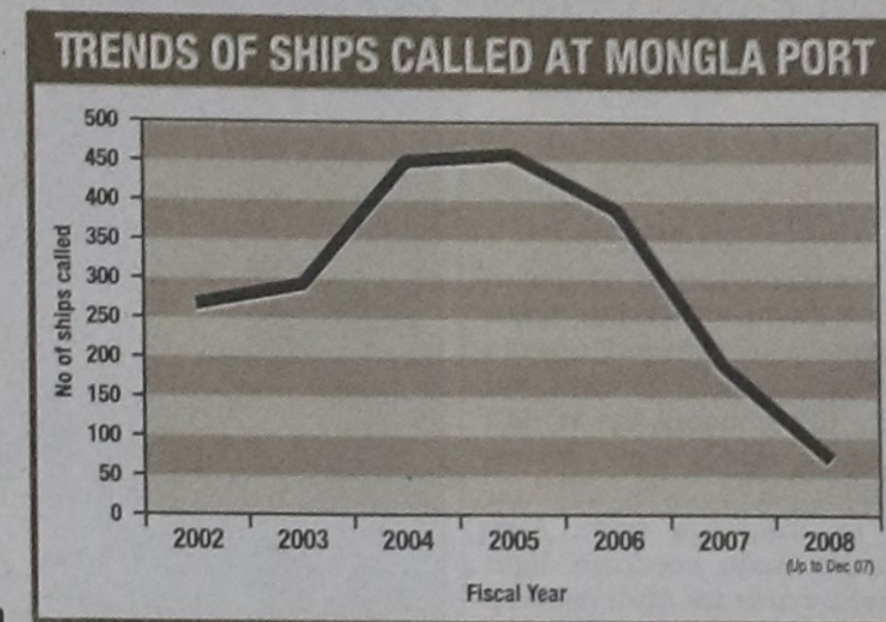
All quiet at the Mongla port as trades drift away from the country's second seaport. Over 25 foreign ships a month were docking at the port in 2000, but now the figure has come down to below 10.





COLUMN

SYED NASIM MANZUR

With strings attached...

Whilst engaging in the national pastime of talking shop and talking politics, I am always deeply impressed by the passion and strength of conviction of those who engage in discourse about the pros and cons of accepting foreign debt from donors. When the target is our favourite bugbear of the World Bank then one is guaranteed rhetoric and vitriol worthy of any Paltan Maidan speech.

I have always wondered if we could approach the issue of donor driven policies more dispassionately and in line with a cost/benefit analysis from the point of view of Bangladesh business and economy.

Bangladesh has Tk 1800 crore of foreign debt but also enjoys some of the highest credit ratings among developing countries. Annually, we pay out Tk 800 crore for debt service and receive Tk 600 crore as new debt. So, in one sense Bangladesh today is a net exporter of foreign currency. Ironically as Bangladesh has such a good credit rating it is not eligible for the debt write offs that have benefited nations with less praiseworthy credit histories.

When we compare this model with the so called "default culture" that had taken root in Bangladesh, one is tempted to find a rude analogy. Amongst the nationalised commercial banks (NCBs) and some private banks, some of the biggest willful defaulters were courted and wooed with funds, whilst new or genuine borrowers with good debt servicing histories were made to jump through hoops to get even their loans renewed. To add salt to the wound, interest rates are high because these banks have high levels of non performing loans (NPA) or bad loans, and these have to be paid for. Simply put, the good borrowers have to pay more, because the bad borrowers don't pay, period.

So how were we advised to get out of this mess by donor appointed, highly qualified consultants. As part of a donor plan to rehabilitate the ailing nationalised commercial banks, they all signed MOUs with the central bank capping single borrower exposure limit of 50% of total capital for these banks. In addition, no additional facility in a year (Funded / Non funded) was to exceed more than 5% of the bank's paid up capital.

What this means in plain English, is that the NCBs are set limits on how much exposure they can take on a single client in order to avoid being drained out by some big bad businessman. By the same logic, NCBs are also limited in how much new money they can give to an existing client. The rationale behind this move was that the banks were being bled dry by large groups and corporations and this would help prevent good money being thrown after bad clients, which was quite sound.

Now let's see how all these best intentions translated into ground reality. Let us imagine that in a particular branch of a particular bank there was a business that was experiencing good growth and servicing all its debts. Unfortunately, if in 2007 its business grew to such an extent that it needed to increase its bank facilities by more than the magic number set by the wizards of consultancy of Tk 129.50 million, it could not.

Why: because the bank wanted to stop the hemorrhaging from the NPAs?

But this client is not a NPA, it actually wants to borrow more, to do more business, and to repay the bank. It is only by being able to retain and service such clients that this bank can recover from the financial morass it is in now. Instead profitable business disappears and the downward spiral continues. From where did such self-defeating strategy emerge? Well it was all part of the donors plan to save the bank.

And don't start a conversation with a Bangladeshi on the donor driven plans to 'save' the jute industry and expect to get home before nightfall. Of how the jute industry has received some Tk 1500 crore from a donor agency supposedly with different conditions, including that the government jute mills be shut down. In the same period 14 new jute mills have opened in neighbouring India, using Bangladesh raw jute as its raw material! A classic example of confusing privatization with private sector development.

Bangladesh's total remittance income in 2006-2007 was about Tk 4200 crore. Let's imagine for a minute that the government is able to encourage and incentivize our hard working countrymen abroad to increase that remittance to Bangladesh by 14% in 2007-2008, we can easily replace the Tk 600 crore of new debt we receive every year. And this time no strings attached. So now we can select the priorities and policies for Bangladesh we need, in conjunction with our development partners. And we can find something else to rant about.

Syed Nasim Manzur is an economist turned shoe maker and entrepreneur.

The logos of the four nationalised commercial banks -- Sonali Bank, Janata Bank, Rupali Bank and Agrani Bank.

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