International Business News

Malaysia to inject $1.4b into stock market

AFP, *Kuala Lumpur*

Malaysia will inject 1.4 billion dollars into the ailing stock market and cut its growth forecast for 2009 amid a worsening global financial crisis, the Finance Minister said Monday.

Najib Razak also said the government may review its 2008 and 2009 fiscal deficit forecast and scale back on infrastructure projects "with limited economic multiplier effect" for the year to cushion the impact of the economic crisis.

"We had projected GDP growth of 5.4 percent for 2009. However in the light of the worsening external developments, the growth forecast for 2009 will be reviewed downwards," Najib said in a speech at a conference in Kuala Lumpur.

In a separate event, the finance minister said Malaysia will not slide into recession, following its major trading partner the United States, which is in the middle of an economic crisis.

"Malaysia will not go into recession," he said, according to state Bernama news agency.

A leading think-tank last Thursday slashed its 2009 economic growth forecast for the country to 3.4 from 5.0 percent, and said there was a risk of recession if the US economy falls.

Earlier, Najib said the government will double the size of its state-run investment company Valuecap Sdn. Bhd, which was formed in 2003 to invest in under-valued, but fundamentally strong shares, by pumping in an additional 5 billion ringgit (1.4 billion dollars).

Economic crisis hits passengers, cargo through Hong Kong airport

AFP, *Hong Kong*

The number of passengers travelling through Hong Kong's airport dropped 4.7 percent year-on-year in September as the global financial crisis hits the aviation industry, the airport authority said.

Figures from the Hong Kong Airport Authority showed 3.6 million passengers came through the city's airport during the month compared with 3.8 million a year earlier.

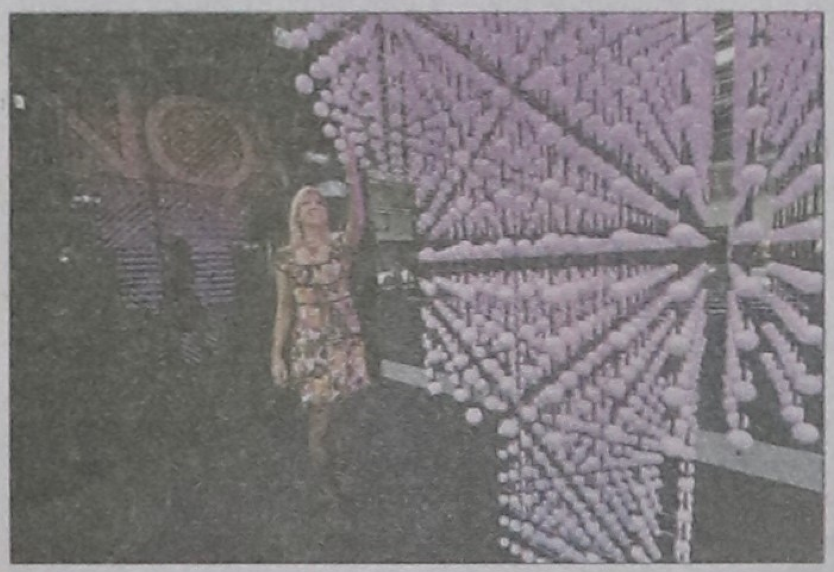
Cargo also dropped, with 317,000 tonnes handled in September, down 7.5 percent on the previous year, the authority's figures showed.

The number of flights edged down 0.4 percent to 24,570.

The reduction in passengers was mainly the result of fewer visitors to the territory, while travel by Hong Kong residents and transit passengers also decreased slightly, the figures showed.

On the cargo front, the decline was widespread, including import, export and trans-shipment.

"The steep decline in traffic volumes in both passenger and air cargo clearly reflected a very troubled global economy as a result of the financial tsunami, which has affected all countries in the world," Stanley Hui, chief executive officer of the airport authority said in a statement released Sunday.



AFP

A woman inspects the giant Nova chandelier at the "Millionaire Fair Munich 2008" in the southern German city of Munich on Sunday. The four-day trade fair exhibits luxury products including golden mobile phones and expensive cars.

Markets turmoil may hurt PC demand in Asia, says monitor

AFP, *Singapore*

A record 20.2 million personal computers were sold in the Asia-Pacific region outside Japan in the third quarter, but global market turmoil could hurt demand, industry monitor IDC said Monday.

The third quarter sales represented a 12 percent rise from the previous year and a 9.0 percent increase compared with the second quarter, with strong demand for portable PCs driving the market, IDC said in a statement.

"While we have not seen any dramatic slowdown in orders in the past few weeks due to the recent financial crisis, Asia's PC markets nonetheless have been a bit soft due to the ongoing economic conditions that have been in play for a number of months now," said IDC analyst Bryan Ma.

"The latest rollercoaster ride in the global financial markets casts further uncertainty, especially if it eventually starts to pinch Asia's PC demand in the upcoming quarters."

Ericsson sees plunging profit

AFP, *Stockholm*

Ericsson, the world leader in mobile phone network equipment, reported on Monday a 28-percent drop in third-quarter net profits, but insisted it remained largely unscathed by financial turmoil.

For the July to September period, Ericsson saw its net profit tumble to 2.8 billion kronor (281 million euros, 379 million dollars) from 4.0 billion 12 months earlier, largely due to a massive ongoing restructuring programme.

The company's sales meanwhile grew 13 percent year-on-year to 49.2 billion kronor, with the numbers growing everywhere except in Western Europe, where they were down six percent from a year earlier.

Following the announcement, Ericsson saw its stock price skyrocket 17.13 percent just 30 minutes into trading to 58.80 kronor a share, in a market up 2.55 percent on average.

REAL ESTATE

New ordinance raises debate

Sadat Hossain Salim, managing director of Rupayan, focuses on downside of the proposed law

SAJJADUR RAHMAN

It is a matter of heated debate that the recently proposed ordinance on the real estate contains controversial provisions which, if enforced, could land developers in jail in non-bailable cases.

Sadat Hossain Salim, managing director of Rupayan, a leading housing developer in the country, says: "We often face delays in implementing projects because of the lapses of Rajuk officials. Now, developers will face punishment in case of failure to hand over the apartment in time, regardless of the reason behind the delay."

"The government and its officials are protected under the proposed law and as per the ordinance, developers cannot file any case against those government officials who are responsible for supervising the activities," Salim clarifies the reasons behind the disputes.

"Yet any official from the developer's side can be fined or jailed for violating any clause of the ordinance," Salim says in an exclusive interview with The Daily Star.

"This is highly immoral and contrary to ethical norms."

"We often fail to deliver the flat or plot because of the land owners and government officials, who conceal disputes that may be associated with the land and delay approving files," he says.

Focusing on "Bangladesh Real Estate Management Ordinance 2008" that created widespread debate, Salim has supported the fact that law is necessary for control of fraudulent acts, but there must be a balance.

Allegations of fraud and deception in handing over plots or flats and illegal encroachment of private and public land are rife against a section of real estate companies.

Many innocent people are often lured by false assurances of hole-in-the-wall housing companies due to the lax monitoring of the sector. Malpractices prompted the government to initiate the move to bring the fast-growing sector under a stringent law.

Currently, the law ministry is reviewing the draft for vetting. The draft regulation stipulates jail terms and financial penalties for delinquent developers.

Sadat Hossain Salim

The government and the developers are apparently at loggerhead over the enactment of the draft ordinance. The government has formulated the law without consultation with the sector people, the realtors claimed.

The Real Estate and Housing Association of Bangladesh (REHAB) submitted a set of recommendations to the government for incorporating the suggestions in the ordinance.

After the draft ordinance came out, it was seen that the recommendations were left out. REHAB quickly came up with a notice that if the ordinance is implemented, it will destroy the real estate sector.

While the government is justifying the ordinance by saying that it is necessary to protect client's interests, developers say it will cut their rights.

"Both parties are right on their respective stances," Salim says.

In the past, many hit-and-run companies have cheated consumers and failed to hand over the due flats or plots even after years of taking the money. They also use low-quality building materials to stretch the dollar and to bag more profits at the cost of buyers, Salim admits.

"No doubt laws are required to protect the consumers," he says. On the other hand, the real estate, which accounts for over 8 percent of the country's $78 billion GDP, should not go out of the market over the fear of the provision of severe punishment in the proposed ordinance.

The sector has generated a lot of jobs in the country and genuine businessmen have invested crores of taka, by both equity and bank borrowing, he says.

"If the law comes through, there is a possibility that many genuine businesses will withdraw their investments," he fears.

The companies, wary of "unavoidable circumstances", fear that even lapses of errant government officials or clients may lead them to punishment. Errant officials can escape punishment, according to the proposed laws, Salim says.

He speculates that a new breed of 'tout class' may be born to cash in on the opportunities. "The tout class may try to blackmail the developers in the name of the buyers," he says.

Dishonest bureaucrats will also try to abuse the law, he alleges.

"We have raised our concerns at different levels including the chief adviser," Salim says. "He assured us that there would be a balance."

Salim states that a realtor would be punished with five years in jail if he uses low-quality materials. "On what basis will the quality of the materials be classified? We use low-quality materials for low-priced flats," he adds.

He also criticises the government for terming the offence as 'criminal', instead of 'civil'. "A violation of contract cannot be a criminal offence," he notes.

But Salim backs the provision for after-sales service. "The service may be for a maximum of one year instead of the proposed two after sales."

According to a study, Salim says, housing in the capital city will grow until the year 2015. Still the government and the private sector have miles to go in making the city livable. Some 60 percent of Dhaka residents are tenants.

Salim says the sector has boomed mainly because of the large number of people wishing to make Dhaka their home, scarcity of land and the use of black money. These issues have caused for dramatic rises in the price of spaces in the city.

Salim, a campaigner in the housing industry, says there are no housing zones or satellite cities surrounding Dhaka. Now space has become a big constraint for the sector. Industries have grabbed almost all the land surrounding the city.

He also criticises the present REHAB leaders for their failure to uphold the interests of the industry.

"The current leadership is weak and they cannot bargain with the government. They have failed," he adds.

The proposed law suggested that real-estate companies must obtain registration from the related authorities and get project designs approved under the Private Housing Project Land Development Rules-2004. An occupancy certificate is a must to hand over any plot or flat. The companies must clearly state in their prospectuses the consequences of failure to pay the installments by the buyers, and they must not sell out the flats of defaulters to third parties within 90 days of notification.

The draft law stipulates that real-estate companies will have to return the entire sum of money along with interest to the buyers in three months' time in case of missing hand-over deadlines.

The developers have to take initiatives to ensure utility services in the project areas. If it is found that any company starts the project work without permission, the company will be fined up to a sum of Tk 10 lakh and its executives may be punished with three years of imprisonment.

It also imposes a bar on the mortgage of any plot or flat before it is handed over to its owner. Developers will be fined for failing to inform its client beforehand about the mortgage of any complete or under-construction land, apartment or space.

Besides, there will be penalties for not using agreed materials in construction and suspending a project without consulting clients.

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COLUMN

MAMUN RASHID

Reforming state-owned banks

I was not at all surprised to see state-owned Sonali Bank being adjudged as the best banking 'brand' in Bangladesh by Brand Forum. Who could win the hearts of millions of Bangladeshis as a 'neighbourhood bank' other than a large public sector bank? I have seen my eighty-year-old father, who retired from government service, and seen the trust he deposes on Sonali Bank, which holds all his pension funds, not his son's very illustrious multinational bank or grandson's very progressive private sector bank. This is all because of the trust and confidence the public sector banks still enjoy from the common people of this country.

With 'market-driven' philosophy getting a hold on the entire economy for the past three decades, the public sector banks have been increasingly losing their market share. The private and foreign commercial banks having employed efficient and skilled resources are now driving the country's banking sector.

Mismanagement, political interference, dicey investment and recruitment of incompetent and 'more than required' manpower are major factors that have largely contributed to the current state of the public sector banks. These banks, on the one hand, lost their business share to more aggressive and efficient private sector colleagues and, on the other, are carrying a legacy of classified loans accumulated over the years.

Development partners, particularly the World Bank, have been extending assistance in various forms to the government for streamlining the public sector banks, including privatisation. They pressed for the privatisation of Rupali Bank along with putting up corporate management in other three state-owned banks. The Rupali Bank privatisation bid has failed due to inept handling by the Privatisation Commission as well as nasty intervention from the political regime. However, the implementation of the schemes for strengthening three other state-owned banks, which have been corporatised recently, is in progress with the support from the World Bank (WB). These banks have got their new CEOs, appointed on contract at market price. The government is supposed to review the performances of these CEOs on six-month basis, in strengthening the fundamentals of the corporatised banks.

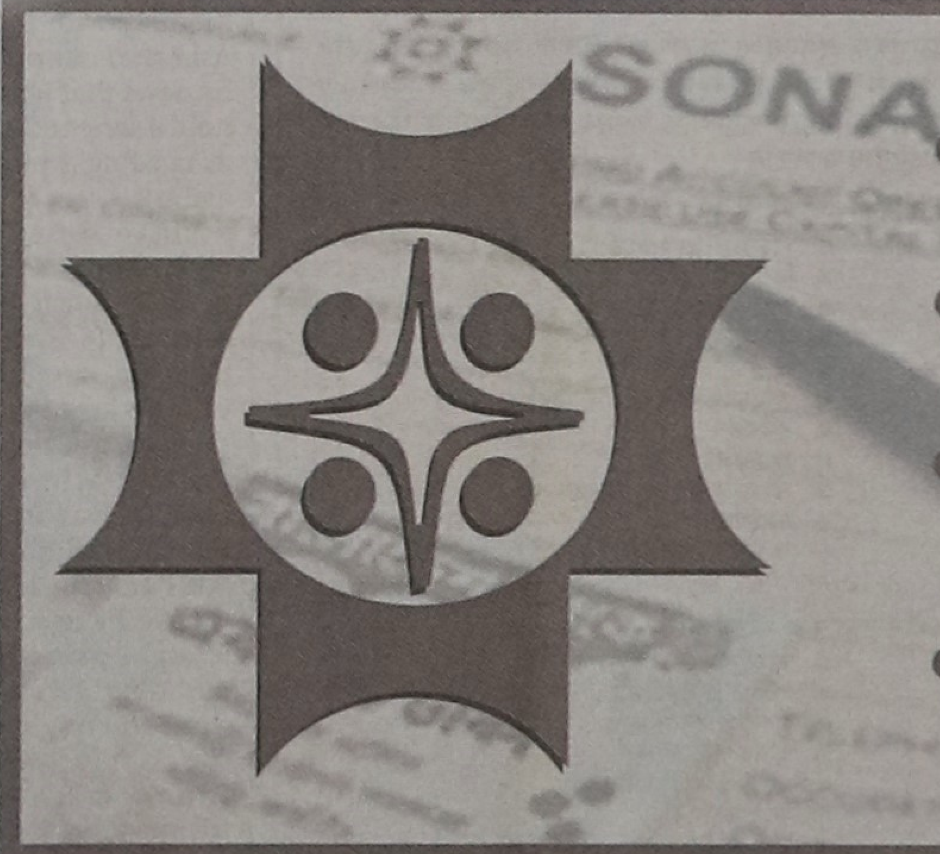
One of the major objectives of the government's bank modernisation project is to get rid of redundant manpower and thereby reduce their operating expenses. The scheme has been partially implemented in Rupali Bank. Now, the second largest public sector bank, Janata Bank, is planning to shred large number of jobs. The WB would provide the required funds under a designated project.

Trimming the state-owned banks has long been overdue because of their ever-declining shares in both deposits and lending for nearly two and a half decades. These banks have been footing the salary cheques of a large number of redundant employees and officials, notwithstanding the fact that a good number of their rural branches have been closed down. It is high time for these banks to part with the excess and inefficient manpower and recruit competent people to stay in the competition with their private sector friends.

The ongoing financial market turmoil in the USA and Europe, which is now hurting other economies too, might have taught the importance of having the state-owned banks to bring in the much needed balance between the market and the state. The strong proponents of free-market economy are now taking stakes in private sector banks worth billions of dollars. They seemed to have little option other than saving the collapsing banks for the sake of keeping their own economies afloat. The government in Bangladesh should also bring in necessary reforms in the state-owned banks to strengthen their performance and make them 'fit to run'.

We have seen what the Chinese government banks did in the past -- almost a similar story like what has been going on in the public sector in Bangladesh -- inefficiency, capital shortage, burden of huge employees etc. But they have realised and identified the downsides of these public sector banks and taken a pragmatic view in terms of doing the right things. They have invited strategic investors into these banks, recapitalised them and in due course taken them to bourses and which in turn helped the domestic savings move in more attractive and useful sectors. This also upheld the philosophy of sharing the wealth among the public. This injection of capital also gave the institutions a set of board members, infusion of new blood and a set of thoughts. Needless to mention that, all these are the vital elements for the revival of any institution that is keen to implement the positive modes of change. I believe readers would agree that positive change means positive outcome, which is extremely necessary at this critical juncture. We have missed many an opportunity, but let us not miss out on this great opportunity when there is a great deal of financial meltdown happening all over the world.

The other day, I was asking Janata Bank Managing Director Aminur Rahman about his top three challenges, to which he replied saying, 1) Automation, 2) Skilled Human Resources, and 3) Non-performing Loans. Who could be so right than a veteran banker and a fellow MBA (incidentally all top three NCB MDs hold Masters in Business Administration from IBA, Dhaka University) like Mr Rahman? Automation is the key to a better customer service delivery platform and an enhanced assets-liability management. One could not re-emphasise the importance of skilled manpower to ensure better customer service, enriched credit due diligence, efficient funds management and lead the banking sector to next growth trajectory. If the NCBs cannot address their non-performing loans, their capital will remain under stress, as will their expansion ability and profitability. They need to rationalise classified loans, improve their internal cash flow and thereby divert liquidity to the hungry and growth sectors of the economy and remain as 'friends in need'.



HIGHLIGHTS

- **One of the major objectives of the government's bank modernisation project is to get rid of redundant manpower**
- **The government should bring in necessary reforms to state-owned banks to strengthen performance**
- **The strong proponents of free-market economy are now taking stakes in private sector banks worth billions of dollars**
- **The top three challenges for state-owned banks are 1) automation, 2) skilled human resources, and 3) non-performing loans**

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