

Stocks

DGEN 4.17%
2,748.60

CSCX 2.76%
5,462.95

(Week-on-week)

Asian Markets

MUMBAI 8.22%
9,788.06

TOKYO 5.00%
8,576.98

SINGAPORE 0.43%
1,794.20

SHANGHAI 1.97%
1,728.79

(Friday closings)

Commodities

Gold \$730.75
(per ounce)

Oil \$64.50
(per barrel)

SOURCE: AFP

(As of Friday)

More News

Twist of fate



The world economy is being shaken to the core. The global financial crisis is threatening to drag the world into protracted recession, and the prospects for growth -- the key to employment and social development -- are deteriorating fast. As is unfortunately often the case, the poorest countries are likely to be among the worst affected.

B-4

International

India's central bank cuts key rate

India's central bank cut its key short-term lending rate Saturday and announced other monetary steps to spur economic growth as it moved to counter the impact of the global financial crisis.

Barclays looks to Middle East for cash boost

British bank Barclays said Friday it sought 11.7 billion dollars (9.3 billion euros), mostly from oil-rich investors in Abu Dhabi and Qatar, to bolster its finances amid the global credit crunch. Although the cash call fell slightly short of target, the fresh capital means Barclays will not have to tap funding from the government, unlike some of its competitors, as it grapples with the worst financial crisis in decades.

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Asia must benefit from global shift

Conference observes

STAR BUSINESS REPORT

The leaders of South Asian region should create an environment of faster investment flow into this region for attaining the benefits from global economic shift to Asia, said Indian state minister for commerce at a discussion in Dhaka yesterday.

The Indian leader, Jairam Ramesh, also stressed the need for regional integration through removal of trade barriers for future development of South Asia against the backdrop of the changed global economic scenario.

"We need a pluralistic democratic framework of the governments in this region for future development," Ramesh said at the roundtable on "Global Economic Shift to Asia".

The roundtable was part of the International Business Conference (IBC), organised by Dhaka Chamber of Commerce and Industry (DCCI) to mark chamber's 50th founding anniversary.

Ramesh urged the governments of this region with a population of 1.6 billion to boost spending on education, science and technology in order to turn the huge population into assets.

He suggested that connectivity, especially the economic connectivity, between the South Asian states should be increased for their economic development.

"Bimstec, Safta and Asean may be the pillars of such economic connectivity," Ramesh added.

"It's a great belief in India



Indian State Minister for Commerce and Power Jairam Ramesh, third from right, speaks at a session of the international business conference organised by Dhaka Chamber of Commerce and Industry in the capital yesterday. Rajendra K Pachauri, far right, chairman of the Intergovernmental Panel on Climate Change, speaks at the concluding session of the conference.

that the country can bypass the regional globalisation. If India can't connect it regionally, the Indian globalisation may not be sustainable."

He said India removed non-tariff barriers on a variety of products of neighbouring countries to enhance trade and speed up investment flow.

The Indian state minister said his country provided duty-free access to eight million pieces of readymade garments from Bangladesh and Sri Lanka.

Commerce and Education Adviser Hossain Zillur Rahman moderated the session.

Export Development Minister of Sri Lanka Dr GL Pieris, Chairman of Centre for Policy Dialogue (CPD) Dr

Rehman Sobhan, Secretary of Economic Affairs Ministry of Bhutan Dasho Sonam Tshering and President of Saarc Chamber of Commerce and Industry (SCCI), Karachi, Pakistan, Tariq Sayeed also took part in the discussion.

GL Pieris urged the South Asian leaders to take advantages of global financial crisis for the future growth of the region.

"Diversity is a source of strength for this region," Pieris said.

He said: "Intra-regional strength of investment might be a tool to tackle any kind of crisis where the South Asian countries would be able to extract reciprocal benefits."

Terming Asia as the factory

of the world, Rehman Sobhan said South Asia was emerging as the epicentre of new economic universe.

Now Asia is the fastest growing market of the world, he said.

"Dynamic support for domestic economic development, the way how China reduced poverty, can be followed also by the South Asian countries for achieving their expected development goals," the CPD chairman said.

In another round of panel discussion styled "Does Bangladesh Have a Niche in Asia?" speakers called for utilising the advantages of demography for the future development of the country.

As a keynote speaker on the

panel discussion Managing Partner of Asian Tiger Capital Ifly Islam said: "The fertile land washed by sweet water could be the world centre of original agriculture."

Farooq Sobhan, a former ambassador, moderated the discussion session where Waliur Rahman Bhuiyan, president of Foreign Chamber of Commerce and Industry (FCCI), Sayeeful Islam, former president of DCCI, Lutfey Siddiqui, managing director of Barclays Capital, Asia Pacific, Singapore, Anders Jensen, chief executive officer of Grameenphone, and Shahagir Bakht Faruk, president of British-Bangladesh Chamber of Commerce and Industry (BBCCI), attended the panel



discussion. Waliur Rahman said Bangladesh needs good plans for future economic growth.

"Our image outside the country is very bad. We should project good image of our country. The roles of Bangladeshi missions abroad are very critical," Waliur Rahman said.

"Bangladesh is not a poor country, it's actually a poorly managed country."

Anders Jensen said Bangladesh needs to develop its capital market with a long-term vision.

"We should create a roadmap where we want to take the capital market," Jensen said.

Shahagir Bakht Faruk said the country is running to a very

positive direction.

"Many non-resident Bangladeshis (NRBs) now residing in England are coming back to the country which is a very positive side of the domestic economy," Shahagir said.

At the concluding session of the IBC, Rajendra Kumar Pachauri, chairman of the Intergovernmental Panel on Climate Change (IPCC) and Nobel peace prize laureate, said some of the issues those need to be addressed are commonality of purposes in South Asia, common threat of climate change, uneven development across Asian and within Asia, the impact of faulty policies and erosion of natural resources.

17 banks short of capital despite BB move

REJAUL KARIM BYRON

Seventeen banks still fall short of a total Tk 6,467 crore in required capital although Bangladesh Bank (BB) moved to raise banks' capital to safeguard the depositors' interests and maintain international standards.

According to central bank statistics as of June 30, three state-owned banks' capital deficit stood at Tk 1,932 crore, three specialised banks' Tk 3,215 crore, seven private banks' Tk 1,174 crore and four foreign banks' at Tk 146 crore.

The rest 31 banks out of a total 48 operating in the country have Tk 3,260 crore surplus capital.

Of the banks having surplus capital, one state-owned bank has a surplus of Tk 388 crore, two specialised banks have Tk 103 crore, 23 private banks Tk 1,298 crore and five foreign banks have Tk 1,471 crore.

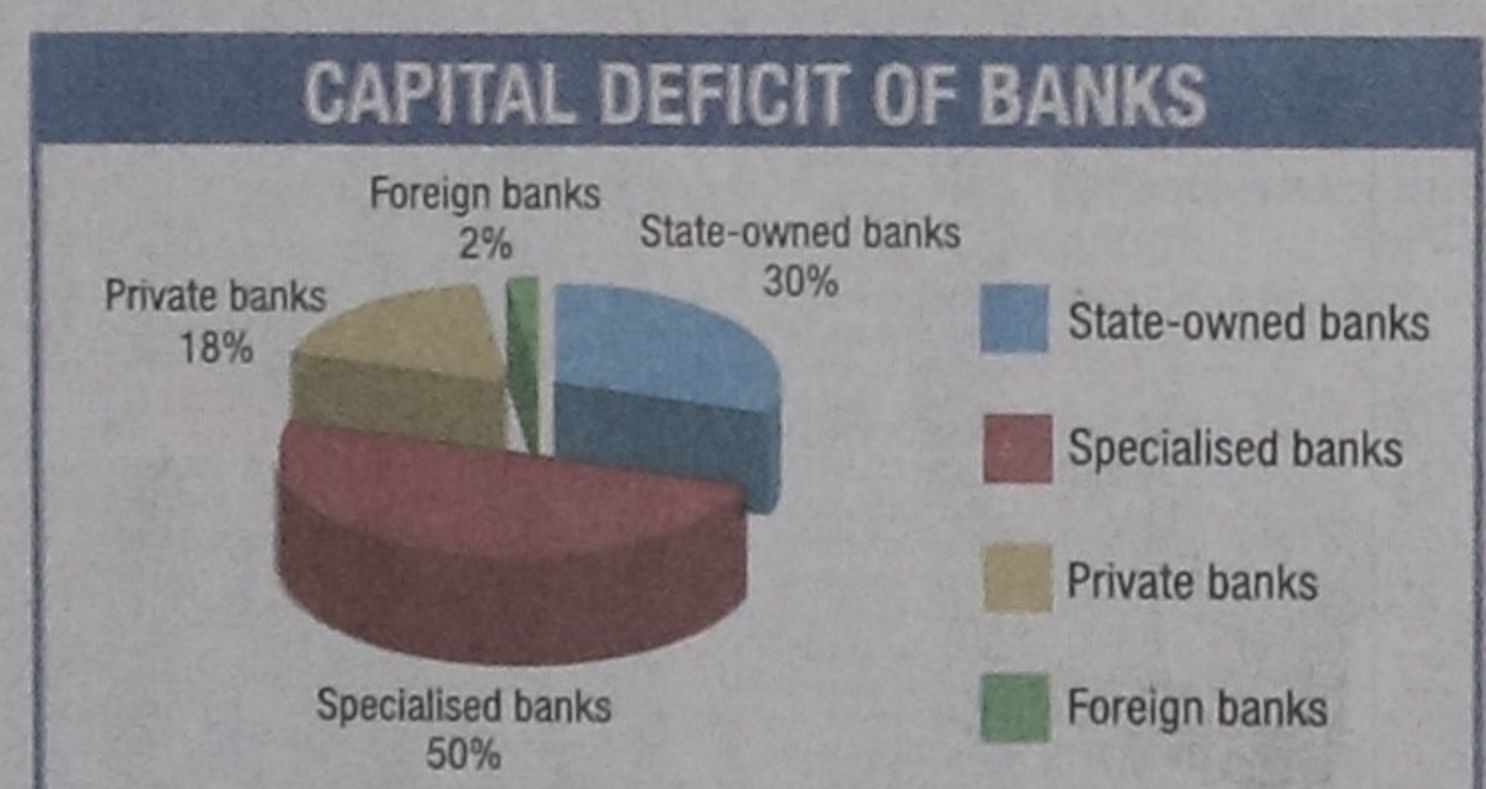
State-owned Rupali Bank falls short of Tk 1,488 crore in capital, Janata Bank Tk 261 crore and Agrani Bank Tk 181 crore.

A senior BB official said Janata Bank and Agrani Bank managed to reduce their shortfalls in the last six months.

In December, Janata Bank's capital shortfall was Tk 859 crore and that of Agrani Bank was Tk 1,778 crore.

The largest state-owned bank, Sonali, had Tk 4,093 crore shortfall in December. But in June, the bank did not have any, rather it made a surplus capital of Tk 388 crore.

Sources said the recent reforms taken in the state-owned banks including turning those into public limited companies helped cut their



shortfalls.

But the condition of Rupali Bank worsened mainly due to the government's failure to sell the bank to a Saudi buyer.

In December, Rupali's shortfall was Tk 266 crore. The amount rose by Tk 1,222 crore in six months (January-June).

Out of the private banks' total capital shortfall of Tk 1,174 crore, ICB Islami Bank, previously Oriental Bank, falls short of Tk 901 crore, and Bangladesh Commerce Bank Tk 102 crore.

ICB Islami Bank took the liabilities of Oriental Bank that faced pervasive corruption and forced the BB to sell it off.

The central bank is closely monitoring the situation of Bangladesh Commerce Bank, a problematic one, a BB official said.

The official preferring anonymity said the four foreign banks facing capital shortfall are not the mainstream banks.

Among the three specialised banks facing capital deficit, Krishi Bank alone has Tk 2,844 crore shortfall.

A senior Krishi Bank official said the bank's shortfall shot up due to the loans disbursed in the Sidi-hit areas. The bank shortfall went up further with the rise of default loans.

Capital adequacy is an integral part of banking sector development and regulatory reforms as higher capital helps absorb risks and creates confidence among depositors, a senior BB official said.

It is mandatory for a bank to have a minimum capital of Tk 200 crore or the capital should be 10 percent of the bank's risk-weighted assets.

If the amount for 10 percent of risk-weighted assets surpasses Tk 200 crore, the bank should consider the amount as capital.

Risk-weighted asset is in terms of the minimum amount of capital that is required within banks and other institutions, based on a percentage of the assets, weighted by risk.

The idea of risk-weighted assets is a move away from having a static requirement for capital. Instead, it is based on the riskiness of a bank's assets. For example, loans that are secured by a letter of credit would be weighted riskier than a mortgage loan that is secured with collateral.

In August, BB raised the amount of minimum capital to Tk 400 crore, which the banks have to achieve by 2011 in order to maintain international standards.

Ramesh pushes Indian investment

STAR BUSINESS REPORT

The only way to cut the huge trade gap is to increase India's investment in Bangladesh, India's State Minister for Commerce and Power Jairam Ramesh said yesterday.

India's exports to Bangladesh reached \$3.3 billion in fiscal 2007-08, while Bangladesh recorded only \$350 million in exports, said the visiting Indian minister.

"Indian companies, mainly in pharmaceuticals, steel and IT, want to invest in Bangladesh. These companies will export their products to India," Ramesh told reporters in an interaction with the media at Radisson Water Garden Hotel in Dhaka.

Quoting a study, he said connectivity (not transit) between the two countries can also help Bangladesh earn revenue worth \$1.2 billion a

year.

The Indian minister believes all the measures, if taken, would reduce the huge trade gap between the two neighbours.

Indian High Commissioner to Bangladesh Pinak Ranjan Chakravarty was present at the briefing.

Ramesh came to Dhaka to attend the celebration of Dhaka Chamber of Commerce and Industry's golden jubilee.

"I had discussed with the Bangladesh commerce adviser today (Saturday) that some leading Indian IT firms want to come here with their investment proposals in next couple of months," Ramesh said.

Some companies have already set up their liaison offices here, he added.

The Indian minister who visited Bangladesh three times in the last 20 months said the mega investment proposal of

Indian biggest conglomerate Tata would be revived in future.

"I don't think Bangladesh has divorced Tata permanently. It is a temporary one," he said.

Ramesh also focused on Bangladesh's need for power, Safta negative list, non-tariff barriers and duty-free export of eight million pieces of garment from Bangladesh.

The minister said Bangladesh has a substantial shortage of power while India has taken a plan to generate 20,000 megawatts of power in its northeastern region surrounding Bangladesh, by 2020.

"Currently, a 750MW power plant is being implemented in Tripura. I have offered Bangladesh collaboration in investment or purchase from the project," he said. "I have also requested the government to study the proposal."

India is generating power in

neighbouring Nepal, Bhutan and Sri Lanka for use in India.

Responding to a tripartite deal on hydraulic power business involving Nepal, the minister said, "It is a bilateral connection."

India has cut its Safta negative list to 480 items from the previous 744. "Again India has agreed to reduce the list by 50 items on a request from Bangladesh's 101," Ramesh said.

The minister said India had allowed in some 5,000 products from five least developed countries in South Asia -- Bangladesh, Bhutan, the Maldives, Nepal and Afghanistan -- at the zero duty rate under the Safta treaty.

The minister said he wants to see Bangladesh companies take advantage of the chance to invest in India that withdrew the restriction late last year.

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