International Business News

BRIC calls off meeting at G20 as Lula stays home

REUTERS, *Toronto*

The leaders of Russia, India and China called off a meeting of so-called BRIC countries on the sidelines of the G20 summit on Saturday after Brazilian President Luiz Inacio Lula da Silva stayed home to deal with severe flooding.

The grouping of Brazil, Russia, India and China accounts for about 16.5 percent of global gross domestic product and has been seeking more say in world financial institutions.

"There will be no BRIC leaders' meeting as President Lula was unable to attend because of the situation in Brazil," said a source in one of the BRIC delegations who requested anonymity.

The BRIC term was coined by Goldman Sachs economist Jim O'Neill in 2001 to describe the growing power of the four emerging market economies, although critics say they have vastly different and often competing political agendas.

AFP

South Korea's President Lee Myung-Bak, left, and South Korea's first lady Kim Yoon-ok arrive at the welcome ceremony of the G20 Summit in Toronto on Saturday. The leaders of the world's most powerful countries were to pursue talks on settling their differences over how to nurse the fragile world economy back to health.

France tightens screw on tax breaks again

REUTERS, *Paris*

A crackdown on tax breaks will have to be intensified to enable the French government to meet its 2011 deficit target, Budget Minister Francois Baroin said on Sunday, underscoring the struggle it faces in shoring up its finances.

Speaking on Europe 1 radio, Baroin said his ministry might need to bring in 10 billion euros ($13 billion) next year by cutting back on an array of tax breaks -- the second time in just two days that the government has had to increase this figure.

The economy ministry originally said it wanted to raise 2 billion euros from this measure in 2011, then raised the figure to 5 billion. On Friday Prime Minister Francois Fillon said it could climb to 8.5 billion euros, "depending on the situation".

But Baroin said even 8.5 billion euros might not be enough.

India's Reliance and GTL Combine tower operations

REUTERS, *Mumbai*

Reliance Communications, India's No. 2 mobile carrier, agreed to sell its telecoms tower business to GTL Infrastructure Ltd to create what it said would be the world's largest telecom infrastructure firm not controlled by a telecom operator.

Financial terms of the deal were not disclosed, but the combined company would be worth over $11 billion and would own more than 80,000 towers, with more than 125,000 tenancies from 10 operators, Reliance Comm said.

Debt-laden Reliance Communications, controlled by billionaire Anil Ambani, earlier this month announced a plan to create an independent tower unit. It had previously planned to spin-off its 95 percent-owned telecoms infrastructure arm, Reliance Infratel, through an initial public offering.

Zain in stake talks with Etisalat

REUTERS, *Kuwait/abu Dhabi*

Kuwaiti telecoms firm Zain is in talks with Abu Dhabi's Emirates Telecommunications Corp (Etisalat) about selling a majority stake in the group, a Kuwaiti newspaper report said on Sunday.

Both firms held meetings last week to discuss the potential deal, daily al-Seyassah said.

"Etisalat does not comment on market speculation and rumours," Ahmed Bin Ali, group senior vice president for corporate communications at Etisalat told Reuters on Sunday.

The Abu Dhabi operator has said it is looking at options in India, including taking a 26-percent stake in the country's second-biggest mobile operator Reliance Communications.

BANKING

Northern SMEs miss out on loans

HASIBUR RAHMAN BILU, *from Bogra*

A complex loan policy, a lack of campaigns and a high rate of interest have set back loan disbursement for small and medium enterprises (SMEs) in five northern districts, officials said.

The obstacles are bogging down the SME sector in Gaibandha, Joypurhat, Naogaon, Sirajganj and Bogra, said the officials of Bangladesh Bank's Bogra branch.

"SME loan campaigns and an easy loan policy are necessary to reach the disbursement target," said Md Mozibar Rahman, general manager of the central bank's Bogra branch.

"We disbursed Tk 910 crore in SME loans in the first nine months of the outgoing fiscal year."

"We are looking for other sectors in rural areas to provide more SME loans and technical support to increase income, especially for women," said Rahman.

"We have listed 4,565 rice mills in five districts for SME loans," Rahman added.

BB set a target for all banks and financial institutions of distributing Tk 23,995 crore in SME loans for 2010. Of the total SME loans, state-owned commercial banks were to disburse Tk 3,897 crore, specialised banks Tk 600 crore, private commercial banks Tk 17,478 crore, foreign banks Tk 707 crore and non-bank financial institutions Tk 1,313 crore.

Sector leaders said more than five lakh industrial units -- small and medium -- are missing out on the SME loans.

"I haven't heard of SME loan programmes from any bank. But I took cash credit from Rupali Bank at a 14 percent interest rate to run my corrugated iron sheet and food grain business," said Md Khurshid Alam Chowdhury. He has been running his business at Ita Khala Bazaar in Joypurhat for the last 15 years.

Abul Kalam Azad, manager for the Khatlal branch of Rajshahi Krishi Unnayan Bank (Rakub) in the same district said he had disbursed Tk 49 lakh in SME loans in the outgoing fiscal year.

"Borrowers are not interested in SME loans due to the fixed-term instalments."

Md Akbar Ali, manager of Pubali Bank, Sirajganj branch, said: "Most borrowers try to avoid the SME loan because of fixed-term instalments and an uncomfortable policy." No fund has yet been disbursed in SME loans in the Sirajganj district from his branch.

"I have long been running my electronic parts business on SS Road in Sirajganj town, but nobody informed me about SME loan and its benefits," said Md Abdus Sattar.

About four lakh hand and power looms are running in Sirajganj on borrowed money from government and private banks and nongovernmental organisations at high interest rates, said Haider Ali, vice-president of Bangladesh Hand and Power Looms Owner's Association.

"So many hand and power loom owners in the district had not been informed about SME loans. The problem was a lack of campaigning," he said.

Md Mozibar Rahman

Md Samsur Rahman, manager of Rakub Gaibandha branch, said the branch had set a target for disbursing Tk 70 lakh in SME loans for the outgoing fiscal year.

Maksudur Rahman Shahan, a Gaibandha businessman, said he was informed about the SME loans, but the complex policy put him off.

Md Shafiqul Islam, sales and services manager of Standard Chartered Bank's Bogra branch, said the branch achieved its SME loan disbursement target of Tk 10 crore for the district.

"We disbursed Tk 80 lakh in SME loans a month on average in the district, mostly to urban businessmen."

Eastern Bank's Bogra branch also achieved its SME loan target, mostly in the urban areas of the district. The bank disbursed SME loans worth Tk 6 crore from July 2009 to March 2010 in the district.

COLUMN

Neo-liberal bias revealed

ASJADUL KIBRIA

It is widely articulated that Awami League believes in a state-focused economic philosophy, where people's welfare gets priority over profit maximisation of market functions. Considering the reality in Bangladesh as well as the global economy, the party tried to strike a balance between the state and the market when it assumed power during 1996-2001.

Decisions to revive the five-year plan with a long-term perspective and the thrust on agriculture are some initial signals in this regard. The previous regime had discontinued long-term planning and adopted the international institutions' guided poverty reduction strategy, a three-year policy. The incumbent government wants to press a pause button on such neo-liberal rally.

As the task is not easy, it is expected that the government will move slowly and steadily in this direction. But the situation has started changing in a different direction, and the proposed budget for fiscal 2010-11 is a good example.

By carefully reviewing the national budget, one can safely draw the conclusion that a bias towards a neo-liberal policy is there.

Neo-liberalism claims that people are best served by the maximisation of market freedom and minimisation of state intervention. So, the role of the government should be confined to creating and protecting markets and private properties.

Several budgetary steps need to be examined to substantiate the proposition of the neo-liberal bias. But one should keep in mind that Bangladesh entered this regime about two decades ago and over the years, neo-liberal agendas become dominant features to run economic policies.

The reduction of allocation for farm-subsidy in the proposed budget is confusing. The proposed allocation worth Tk 4,000 crore is 20 percent less than the current year's revised budget subsidy. No rationale for the reduction was spelled out in the finance minister's speech. Moreover, the announcement of crop insurance without any specific allocation reflects a lack of seriousness in this issue.

The withdrawal of the tax-exemption on interest income from savings instruments is a blow to small and medium income people. So far, the interest income worth Tk 150,000 has been exempted from tax and there was no tax on the interest on the pensioner savings scheme. The finance minister subjected interest earnings to 10 percent tax at source.

Moreover, the finance minister hinted at reducing the interest rates on savings instruments. Currently, there are three types of savings instruments with different maturity periods and interest rates ranging between 11.5 percent and 12.5 percent. In the current fiscal year, the government has been heavily dependent on the sales of savings instruments to run the budget deficit. It enhanced the government's interest payment burden. Now the rate cut appears essential to reduce the burden.

AMRAN HOSSAIN

In the proposed budget for fiscal 2010-11, Bangladesh Railway did not get enough attention.

Such measures are discriminatory when individual investors in the capital market have been given a free ride. There is strong economic logic of imposing capital gain taxes on individual investors. As an initial step, the finance minister can easily impose a minimal tax rate of 3 percent. Without doing so, the government has virtually encouraged people to go with speculative investment, which creates trouble in the long run.

It is surprising to see that in the name of capital market development, different stakeholders are now crying for a reduction in the proposed 10 percent gain tax on institutional investors, source tax on turnover of members of the stock exchange that has been increased from 0.025 per cent to 0.1 percent and VAT on stockbrokers. The government should not pay heed to such demand.

While many have welcomed the increased allocation of social safety net, the designing and targeting of the programmes requires a critical review. The government allocates some Tk 19,497 crore for the social security and empowerment sector, which is 14.8 percent of total public expenditure. But over the year, non-development expenditure for the sector got higher allocation compared to development expenditure.

A calculation by Unnayan Onneshan, a local research organisation, shows that the average growth rate of the non-development expenditure of social security and welfare during fiscal 2002 to fiscal 2011 is 36 percent. But the average growth rate of development expenditure in this sector is only 17 percent.

Easy access to the programme is equally important, pointed out by the Bangladesh Economic Association in its budget reaction.

The association clearly said that beneficiaries of these programmes have to suffer a lot to get due benefits. For example, rural people in their old age have to go a long way and wait the whole day at the respective bank branches to collect their dues.

If a farmer can open a bank account by depositing only Tk 10, why can't accounts be opened for the people entitled to social security schemes? Such mechanisms should be in place, so that the monthly allowance can be transferred to the accounts.

In fact, most social sector schemes of the government continue to follow a welfare approach, but provide low-cost ad-hoc interventions. Such interventions cannot bring any long-term benefits, except creating some fiscal burdens and such burdens may lead to abandoning the programmes.

While safe and easy public transportation becomes a critical issue, the budget almost avoids the sector.

There are only three paragraphs on the railway without any well-designed thoughts. There is also no mention of revival of bus and truck services of the Bangladesh Road Transport Corporation.

The budget rightly prioritises the energy sector. But emphasis on rental power will lead to a price hike. There is also an indication that tariff adjustments are unavoidable.

All these reflect the vision of the economy in which it is taken for contracted that the market mechanism generally delivers the economically desired outcomes for people and the role of the government is therefore mainly to ensure such market functions smoothly. Whether we like it or not, this vision is driving the economic policy of the country.

The writer is a journalist and can be reached at: asjadulk@gmail.com