Star Business

DHAKA TUESDAY SEPTEMBER 7, 2010

Stocks

DGEN	▼ 1.25%	6,803.68
CSCX	▼ 1.15%	12,977.39

IDLC Index

IDLC 50	▼ 0.79%	6,847.02

Subject to Conditions contained in www.idlc.com

Asian Markets

MUMBAI	▲ 1.86%	18,560.05
TOKYO	▲ 2.05%	9,301.32
SINGAPORE	▲ 1.07%	3,034.58
SHANGHAI	▲ 1.54%	2,696.25

Currencies

	Buy Tk	Sell Tk
USD	68.90	69.90
EUR	87.32	91.54
GBP	105.09	109.56
JPY	0.80	0.86

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	$1,250.00 (per ounce)
Oil	▼	$74.37 (per barrel)

SOURCE: AFP (Midday Trade)

New industrial policy evokes mixed reactions

MEHDI MUSHARRAF BHUIYAN and MD FAZLUR RAHMAN

The new industrial policy has evoked mixed reactions from economists and business leaders.

Some hail the policy, which replaces the 2005 one after it got a go-ahead from the cabinet yesterday, for separately defining micro industries, while some grill the government for its stand on continuing with state-owned enterprises (SoEs).

However, Industries Minister Dilip Barua expressed his hope that the Industrial Policy 2010 would propel industrialisation and foster economic growth.

Terming it a 'comprehensive one,' the minister said, "It features long-term goals to foster the country's economic growth."

"The small and medium enterprises have been given special attention, as those could generate huge employment."

"We have also selected a number of sectors as thrust sectors to give them required impetus to grow."

The minister has maintained his long-time position of not giving in to calls for divesting the SoEs -- a long demand by the private sector as well as development partners.

"Rather, we'll make SoEs competitive. Already many are making profit," Barua told The Daily Star yesterday.

Khondaker Golam Moazzem, senior research fellow at the Centre for Policy Dialogue, hailed the government for separately defining micro industries.

"Under old definitions, the micro industries could not fully match with any categories,

PRIORITY SECTORS

- Agro-based/food processing industry
- Human resource export
- Shipbuilding
- Solar power
- Tourism
- ICT products and services
- Readymade garments
- Herbal medicine
- Jute products
- Leather and leather products
- Hospitals, clinics
- Light engineering industry
- Plastic industry
- Furniture
- Handicraft industry
- Energy efficient appliances
- Frozen fish industry
- Tea industry
- Home textiles
- Ceramics
- Cosmetics and toiletries

which made it difficult to address the special needs and problems of the sector," he said.

On the point of making SoEs competitive, Moazzem laid emphasis on ensuring adequate alternative job opportunities for the SoE staff in case of any privatisation.

"Nongovernmental organisations should be given a responsibility in creating alternative job opportunities for such workforce," he added.

Moazzem also hailed the government move to include the more non-traditional segments in the list of thrust sectors.

"Going beyond the export-oriented industries, the new list has included a number of industries like shipbuilding, which has huge potential."

Moazzem welcomes government plans to set up separate economic zones for a number of highly potential industries like pharmaceuticals.

He however underlined the need to draw out a legal framework for establishing such economic zones.

"The funding for such zones should be channelled through public-private partnership," the CPD official suggested.

Former caretaker government adviser Dr ABM Mirza Azizul Islam questioned the government's plan to go ahead with SoEs.

"It's a fundamental question -- the government should not run commercial enterprises, no matter those are profit-making or not," he said, suggesting that the government could only limit its involvement in public utilities sectors.

The former finance adviser said, "Over the years the successive governments have dumped hundreds of crores for state-run factories."

He advised the government to go for golden handshake and arrange training facilities for the workers to be laid-off.

Waliur Rahman Bhuiyan, former president of Foreign Investors' Chamber of Commerce and Industry, echoed the former adviser's view on the government's stand on SoEs.

"The policy is encouraging SoEs, but it's not the government's job to run businesses. It should act as a regulator and facilitator."

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New policy sweetens investment incentives

REJAUL KARIM BYRON

A new industrial policy offers a host of incentives to attract local and foreign investment and envisages appropriate measures to rehabilitate the sick industries.

To enhance foreign investment, the policy proposed to offer citizenship for investors who are investing $500,000 or transferring $1 million to any recognised financial institution.

In providing permanent residency to foreign investors, the minimum investment level has been raised from $75,000 to $100,000. Any foreigner investing $5 million in any heavy industrial unit will enjoy the "no visa required" facility.

In a meeting yesterday, the cabinet approved the policy with a target GDP growth of 8 percent by 2013.

In a news briefing, Prime Minister's Press Secretary Abul Kalam Azad said the government proposes to assist the rehabilitation of sick industries.

The government will support public and private sectors to strengthen the economy, Azad said.

The list of industries collectively defined as the services sector was expanded from 19 to 31 in the new policy.

The policy said a sick industry law would be made. The industries that have been sick for 15 years would be shoved out of the industrial sector.

Small, medium and large industrial units will need to be worth up to 200 percent more than in 2005 to stay in their traditional business-size slot, according to new definitions that adjust the slots for inflation.

Industries listed under the thrust sector category enjoy different benefits, including tax waivers. The number of industries in the sector has been reduced to 31 from 33. Manpower exports, ship building, renewable energy, polymer industries, hospitals and clinics, plastics, tea, container services and warehouses have been proposed for inclusion in the this sector.

Obama unveils plans for jobs, infrastructure

AFP, Washington

US President Barack Obama unveiled plans Monday to spend at least 50 billion dollars to expand and renew US roads, railways and airports, in a fresh bid to fire up sluggish economic growth.

Obama, under intense pressure over November's mid-term congressional elections, in which his Democrats fear heavy losses, was set to make the announcement in a speech in Wisconsin.

Call money rate within bounds

SAJJADUR RAHMAN

Unlike previous years, the inter-bank call money rate is not bustling this year ahead of Eid mainly because of prudent treasury management by commercial banks and injection of fresh funds into the market by the central bank.

Even significant cash withdrawal could not impact the call money rate and most deals were settled at between 5.5 percent and 6 percent yesterday, market operators said.

But at the end of the day, the rate soared to 10.25 percent in the inter-bank call money market yesterday.

"Treasury management by the banks is now better than anytime else," said Anis A Khan, managing director and chief executive officer of Mutual Trust Bank.

Helal Ahmed Chowdhury, managing director of Pubali Bank, said his bank was prepared this time in terms of treasury management.

Chowdhury also found two other reasons why the rate was stable. Firstly, Bangladesh Bank (BB) pursued a timely management of treasury. At the same time, it was seen that individual depositors did not take away money from the banks to invest in the stock market.

The call money rate is the rate at which short-term funds are lent and borrowed among banks. It is also called the overnight money market for credit.

Volatility in the overnight money market rate is a common phenomenon for the country's banks and non-bank financial institutions. The market participants determine the rate according to their perceptions of the current and future liquidity condition in the market. Thus, this rate shows the supply and demand behaviour of bank reserves, and it gives important signals to the central bank to understand market pressure.

Eid-ul-Fitr and Eid-ul-Azha are the two peak seasons for a rise in demand for money. Last year, the rate touched 12 percent. It was 35 percent in 2004 and 43 percent in 2005.

"The money market seems stable this year because banks have adequate cash," said Motiur Rahman, head of treasury at Prime Bank.

Rahman said the central bank is also giving money through repo auction and special liquidity support for 15 dealer banks and non-banks that want it.

BB sells money to the banks by a repurchase agreement, commonly known as repo, to help the market remain stable. The present repo rate is 5.5 percent.

Statistics show that the central bank injected fresh funds worth over Tk 1,100 crore through repo on Thursday. Another Tk 679 crore was injected on Tuesday.

Banks had excess liquidity worth Tk 33,127 crore at the end of July, down from Tk 34,500 crore a month ago.

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