Indian businesses keen to invest in Bangladesh's power

STAR BUSINESS REPORT

INDIAN entrepreneurs are interested to invest in the power sector of Bangladesh as the demand for electricity is growing in the country, said the chief of a business delegation from the neighbour.

They also want to invest in gas exploration in Bangladesh if the government opens up the sector to private investment, said Adi Godrej, president of the Confederation of Indian Industry, at a press briefing at Sonargaon Hotel in Dhaka yesterday.

Godrej leads a 17-member team of businesspeople who came in Dhaka on Friday on a four-day visit.

The delegates already discussed investment potential in Bangladesh's infrastructures, IT, agro-processing, education, healthcare and fertiliser sectors, with government high-ups, Godrej said.

"Responses from different ministries and government agencies are very positive. This is not the end of the journey. We will follow it up very strongly so that we can invest in Bangladesh," he said.

He said if the Indian companies set up their industrial plants in Bangladesh, they will not only be able to sell the products in Bangladesh and northeast states of India, but also export those to other countries.

The bilateral trade between the two countries has grown significantly after India has given a duty-waiver benefit to almost all Bangladeshi products in November last year, he said.

Godrej and his team leave Dhaka today.

STAR

Middle, Adi Godrej, chairman of Confederation of Indian Industry, speaks to the media at a press meet at Sonargaon Hotel in Dhaka yesterday. Abdul Matlub Ahmad, president of India-Bangladesh Chamber of Commerce and Industry, was also present.

On investment in power, Abdul Matlub Ahmed, president of India-Bangladesh Chamber of Commerce and Industry, said Tata Power, a sister concern of Indian conglomerate Tata Group, has already progressed a lot on their investment proposal.

"There has been a substantial progress in negotiation between Tata Power and the Power Division of Bangladesh," Matlub said.

He said more than 150 Indian companies are now operating in Bangladesh with investments worth around $4 billion.

Earlier at a meeting with Finance Minister AMA Muhith at his secretariat office in the morning, the delegates demanded a special economic zone (SEZ) in Bangladesh for the Indian entrepreneurs.

After the meeting, Muhith told journalists that the government will consider the proposal for an SEZ for the Indian entrepreneurs.

The minister said the government will also consider their demand for allowing the Indian factories in Bangladesh to sell 25 percent of their products in the local market. At present they can sell 20 percent of such products in the Bangladesh market.

The government will also look into scope to offer tax benefits to the Indian entrepreneurs, Muhith said.

"We have the opportunity to invest in Bangladesh's logistics industry," Godrej said at another meeting with the leaders of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

FBCCI President AK Azad urged the Indian business leaders to invest in infrastructure, power, agriculture, education and automobile sectors.

According to data from state-owned Export Promotion Bureau, Bangladesh exported goods worth $498.42 million and imported products of $4.40 billion during the July-May period of the immediate past fiscal year.

In 2010-11, the amounts were $512.50 million and $4.58 billion respectively.

Govt plans to divert wasteful safety net funds to solar panels

STAR BUSINESS REPORT

THE government plans to free up money from some of its wasteful social safety net programmes for installing solar panels in schools and other places to advance renewable energy in the country, said the energy adviser to the prime minister yesterday.

"We can get some of the money earmarked for 'vulnerable group feeding' and 'food for work' programmes as funds sometimes get wasted. We will spend the money to set up solar panels," said Tawfiq-e-Elahi Chowdhury.

"The prime minister has talked about the issue. We are trying to standardise the plan."

He spoke at the launch of the Poor People's Energy Outlook Report 2012 at the conference room of Local Government Engineering Department in the capital. Practical Action, a UK-based non-government organisation, released the report.

About 53 percent of households are covered by the power supply through the national grid, leaving about 8.7 crore people in the off-grid areas and making Bangladesh the ideal place for renewable energy solutions.

Chowdhury said the government plans to take clean cooking stoves to all households by 2020.

He urged companies promoting and selling clean cooking stoves to be aware of transformation of society, otherwise by the time they reach their target customers their need may finish.

Robert Juhkam, acting country director of United Nations Development Programme, said without a change in course, the world's one billion people would be without electricity by 2030.

Three billion people will still cook with traditional fuels, and more than 30 million people may die due to smoke-related diseases, said Juhkam, quoting the report.

"These are serious issues; highlighting the access to energy is important for a decent living," he said.

He said, in Bangladesh poor people need access to energy, which is no longer an issue of debate.

Juhkam also said reliance on fossil fuel to produce electricity may not be a smart action for Bangladesh. "There is a need for right mix of energy sources and new technology."

The UNDP official also said money should be spent in a smarter way so that people can have affordable energy for ensuring universal access to energy. "We need to channel that money smartly."

He urged the government, the private sector and the civil society to work together to invest in taking energy to the people, which can transform their lives and foster the growth of the country.

Later at a panel discussion, Ijaz Hossain, a professor at Bangladesh University of Engineering and Technology (Buet), said the government has never studied the rural energy need.

"The private sector has done some work, but the government did not take them into cognizance," he said.

He said the government should give priority to meeting the heating needs of the poor in the rural areas, instead of focusing on only taking electricity to them.

"The government will have to make biomass as the number one priority as part of its renewable energy strategy," he said.

Nurul Islam, a former professor at Buet, said the country should not focus on reaching targets. Otherwise, the poor would be bypassed, he said.

The report comes as the year 2012 is the UN International Year of Sustainable Energy for All, and the injustice of energy poverty is rising up the international agenda.

The report argues that where poor people have the sustainable energy access needed to grow enterprise activities -- small and large, it becomes possible to escape the vicious cycle of poverty.

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India's growth versus inflation dilemma

DH PAI PANANDIKER

THE Reserve Bank of India is concerned about inflation; the finance ministry has growth as its priority. That, as RBI Governor D Subbarao mentioned, makes the two almost look like adversaries.

Subbarao has his reasons. "The relation between growth and inflation is non-linear," he said, "and there is a threshold below which there is a trade-off between growth and inflation. But above the threshold there is no trade-off."

What he means is that a little inflation is good for growth; but when inflation exceeds a critical level inflation can actually come in the way of growth. The RBI believes that the present level of inflation is beyond that critical level and has therefore focused on controlling inflation using the repo rate as the main policy instrument.

But inflation has proved too hard to crack. Already, it is two-and-a-half years since the RBI has been working on inflation. It was in March 2010 that the RBI increased the repo in quick steps from 4.5 percent to 8.75 percent. But inflation did not respond. Meanwhile, GDP growth dropped from 9 percent to 5.3 percent.

The fall in GDP growth has been almost exclusively due to the stagnancy in industry. While agriculture and services more or less maintained their pace, industrial growth dropped sharply. Industry is driven by demand. When demand is strong, it will use capacity fully and go in for additional investment. When demand is weak, production is reduced.

In 10 out of 22 industry groups in the manufacturing sector, production declined in May. Investment in new projects dropped from 3.1 trillion rupees in the quarter ending June 2011 to 1.9 trillion rupees in the quarter ending June 2012.

Presently, we have a strange combination of inflation and stagnation. But look at inflation. It is taking place predominantly in the agricultural sector. And look at the slowdown in production. It is predominantly the industrial sector. Why?

The reason is simple. It is because the rise in prices of agricultural consumer products, for which demand is very inelastic, diverted a part of consumer expenditure from industry to agriculture. Demand for industry dropped and it was forced to cut production.

It is no wonder that the repo rate failed to curb inflation. Although inflation was subdued towards the end of 2011 and the beginning of 2012, it was because agricultural production, particularly of fruits and vegetables, improved and reduced the mismatch between demand and supply. That is the solution, not repo.

That raises another question. If an increase in repo failed to curb inflation, would a cut in repo pull up industrial growth? Perhaps it would. Not because the consumer expenditure on agriculture will be reduced but because the lower rate of interest will divert a part of the income from savings to consumption. Demand for industrial goods will revive and growth will pick up even though inflation is beyond the threshold level. The RBI should therefore give greater weightage to growth in its quarterly review on July 31.

The writer undertakes research on current macroeconomic issues of interest, mainly to industry, as president of RPG Foundation, a private think-tank in India.

Property boom transforming Philippine skylines

AFP, *Manila*

AS a Philippine property boom gathers pace, even Paris Hilton, Donald Trump and high-fashion house Versace are getting a piece of the action.

The good times are into their fourth year, fuelled by steady economic growth, Western firms offshoring jobs to the Philippines, the buying power of millions of Filipinos working abroad and low interest rates.

"It just so happens that today the stars are aligned... we have never seen the economy this bullish," said Antonino Aquino, president of Ayala Land, one of the country's biggest property developers.

Ayala Land is one of the main players in what industry figures describe as an unprecedented construction boom that is transforming the skyline of the nation's capital, as well as many provincial cities.

In Manila, formerly sleepy pockets such as the Fort army base and the rundown Eastwood industrial zone have become chic, new business districts, catering mainly for the fast-growing outsourcing sector.

At the Fort, Ayala Land this year broke ground on its $714-million One Bonifacio High Street project, which when completed in 2017 will host the Philippine Stock Exchange, a Shangri-La hotel, and retail outlets.

The project also has a 63-storey residential tower, with 298 suites ranging from $500,000-$1.9 million that sold out last month in 96 hours, according to the company.

Across the country, more than 850,000 square metres (9.1 million square feet) of office space and 14,000 residential units will enter the market this year, property consultants CBRE Philippines said in a report.

AFP

Commuters drive past a high-rise building construction site in Manila. As a Philippine property boom gathers pace, even Paris Hilton, Donald Trump and high-fashion house Versace are getting a piece of the action.

It said many of the residential units catered for a growing middle-class on the fringes of Manila and other urban centres.

The building boom has also spread to hotels, shopping malls and casinos, triggering hopes of a long-anticipated take-off of the underdeveloped tourism industry.

Three of the world's biggest gaming industry leaders are building a $4-billion, 100-hectare (247-acre) Entertainment City complex of casinos on Manila Bay. The first of the casinos are set to open early next year.

Meanwhile, Trump, the New York mogul, has put his name to a $150-million, 56-storey, curtain-glass-walled Trump Tower that broke ground in the financial district this year.

"High-end buyers look for key differentiated features," said Robbie Antonio, managing director of Century Properties that is behind the Trump Tower development.

He said 70 percent of the 220 residential units, which are worth up to $1.86 million each, have been sold.

The firm is putting up a nearby tower designed by the Versace fashion house -- the first of its kind in Asia -- featuring individual wading pools as well as its iconic Medusa-head brand imprinted on lamp shades and cutlery.

Century also flew in socialite and hotel heiress Hilton to Manila last year to help design and promote a suburban Manila residential project that features a man-made beach.

Industry players say the property boom reflects the overall status of the nation's economy as it picks up steam after decades of underperforming compared with many of its Asian neighbours.

The economy grew 6.4 percent in the first quarter, the stock market has surged 20 percent this year to hit all-time highs, and the country's credit rating has been bumped up to just a step below investment grade.