

Better infrastructure, policies to fuel growth

ADB chief economist praises Bangladesh's macroeconomic stability

MD FAZLUR RAHMAN

BANGLADESH should improve infrastructure and reform policies to tap the potential of its economy, the chief economist of the Asian Development Bank said yesterday.

"The country's potential is wonderful. Infrastructure and reforms in policies are needed to translate this potential into actual job creation and expansion in GDP growth," Shang-Jin Wei said.

He came to Bangladesh to see and learn as part of preparation for an ADB study on constraints to growth and economic inclusion.

He met senior officials and experts from government agencies, the private sector and local think-tanks.

Bangladesh's economy has been growing at greater than 6 percent on average for quite a while, making the country one of the top 20 performers in the world in terms of economic expansion.

"In the face of global financial crisis, a very few countries have managed to grow as fast as Bangladesh did. That's a very impressive record," the China-born US national told The Daily Star in an interview at the ADB office in Dhaka.

He said Bangladesh has certainly the potential to grow at 7.3 percent and even can surpass the target set by the government for the current fiscal year.

"But high growth potential will not automatically translate into higher growth. One has to work hard for that."

But ADB's judgement is that the economy would grow by 6.4 percent in the current fiscal year, Wei said.

He said Bangladesh, which has a vast inexpensive working age population, has the potential to grow even faster -- similar to some of the East Asian countries in recent past.

He said the country's need for infrastructure is vast. "So, the ADB is working to do more to mobilise funds for Bangladesh from our own resources as well from other sources."

He said the country faces several challenges to continue the current level of economic growth and raise it further.

Ensuring reliable supply of power is one of them. "The government needs to ensure reliable supply of power to reduce the cost of doing business of the companies so Bangladeshi firms can compete in the world markets."

The country also needs to address transport and congestion bottlenecks and improve the quality and capacity of its ports further.

"The ADB is helping Bangladesh in all of those areas.

We did it in the past and will continue to do so in the future."

The chief economist also said Bangladesh needs to raise its tax-GDP ratio from the current 12-13 percent.

"It is relatively lower compared to many other countries at this stage of development. Because of low level of revenue generation, the government's ability to finance infrastructure projects and provide services to the citizens is constrained."

Wei said improving governance is also important. The ADB chief economist is opposed to higher customs duty as well as discretionary exemption of customs duties as they deprive the country of potential revenues.

He praised Bangladesh's macro-economic management, particularly for bringing down inflation to the region of 6 percent. "However, we should not be satisfied with this inflation rate and we need to try to bring it down further."

He also praised the country's banking sector for having a sizeable number of private banks, saying the sector is not dominated by only state-run banks.

"At the same time, the job of improving the banking sector has not finished."

He talked about high non-performing loans in the banking sector.

"Sometimes, these loans get extension. When it happens, it translates into higher lending rates for firms which are commercially in better position."

This is an area that needs to be reformed for the efficiency of the banking sector. This requires a combination of reforms of corporate governance in both private and public banks.

The ADB economist particularly talked about the reforms of the public banks as they sometimes come under pressure from the members of the government to provide loans to borrowers they would not otherwise provide.

On the government's plan to float international bonds, Wei said the international investors look at the present and future fiscal position of a country.

"Bangladesh can go out for funds any time. But the cost of borrowing could be so high that the government will not find it worthwhile. So you need to have certain conditions in place so international investors become interested about the sovereign bonds."

A former economist of the World Bank and the International Monetary Fund, Wei declined to specifically comment on the current political situation in the country and its impact on the economy.

He, however, said: "From our experience from other



Shang-Jin Wei

countries we can say that political stability is helpful for growth."

"Generally speaking, uncertainty and instability tend to have a negative impact on investment and growth. Investors tend to prefer stability which in turn helps create employment and generate growth."

Also the director general of economic research and regional cooperation department of the ADB, Wei said the multilateral bank is working very hard to promote regional cooperation in South Asia by extending assistance in the areas of road connectivity and energy cooperation.

South Asia is one of the least integrated regions in the world, and intra-regional trade accounts for less than 5 percent of their total trade. The same is also true when it comes to cross-border investment.

"When we compare South Asia with some other

regions such as East Asia and Southeast Asia, the degrees of trade and cross-border investment among the eight-member Saarc are much less than one would have expected given the physical proximity and size of the economy."

"But there is a lot of potential to grow further," he said, adding that the ADB is providing support to the countries in the region for putting the right physical connectivity in place.

The ADB has been actively promoting regional cooperation in South Asia through the South Asia Sub-regional Economic Cooperation (SASEC) initiative, focusing on transport, trade facilitation, and energy.

Wei, who taught at Harvard University between 1992 and 1999, said countries in South Asia should embrace policies that promote trade and investment among themselves.

"In order to promote trade, tariff should be low and non-tariff barriers should be removed."

Saarc has the potential to do better. One of the very ingredients to growth for developing countries is the participation in the global value chain as well linkage between the countries with same production chain and common world markets. This is the area where countries have not done well."

Wei, however, said this gap points to the existence of the problems and also to potential for growth.

"The region can grow further if they take integration measures and bring in policy reforms."

"There is no reason why South Asian countries can't follow the successful model of some Southeast Asian or East Asian countries in many ways."

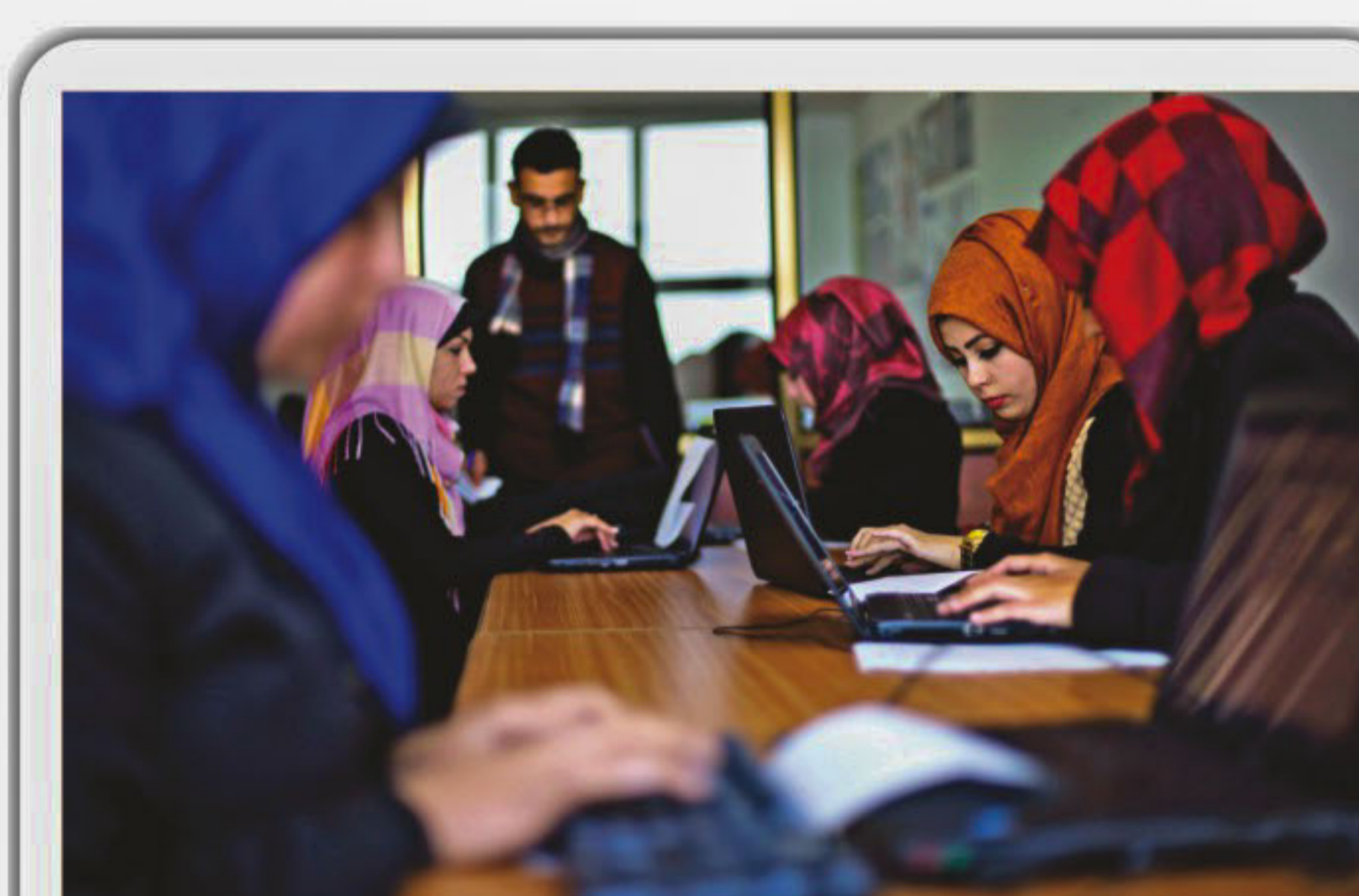
By utilising their vast labour, countries in South Asia can do more compared to Southeast Asian countries if they have better infrastructure and policies.

Countries in South Asia tend to favour bilateral agreements more than the multilateral ones. But the ADB chief economist said he hopes the bilateral integration would not be the end point; rather they would act as inputs for fuller regional as well as global integration.

"Bilateral integration can work as a stepping stone for regional integration," he said, adding that the electricity transmission between Bangladesh and India is a case in point.

He said Bangladesh is now importing electricity from India and would do the same from other countries in future. "Of course, there is an improvement in the attitude of the countries in the region."

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Palestinian employees process data on their laptops at Unit One in Gaza City

In Gaza, an IT company has Google-sized aspirations

REUTERS, Gaza

HIS company may not rival Google or German software maker SAP yet, but Gaza-based IT entrepreneur Saady Lozon has plans to change that.

In nine years, Lozon and his partner Ahmed Abu Shaban have transformed their firm, Unit One, from a tiny outfit in a single room in the blockaded Gaza Strip into a successful business with clients in Europe, the United States and the Arab world.

They can't leave Gaza easily, but they can develop applications for Web and mobile devices online and provide international clients with data-management services, competing with firms in India and elsewhere.

"We have managed to knock a hole in the wall of the blockade," Lozon, 33, said of the company, which will soon expand to more than 60 employees from 13, the majority women. "We deliver in time, just as the client wishes."

Lozon and Abu Shaban came up with the idea after graduating with degrees in computer science. Lozon worked briefly as an IT contractor for the United Nations and quickly realised he would rather run a company of his own.

They won their first client after making a pitch via Skype and offering a free trial. They borrowed money from friends to buy computers and slowly expanded. The firm now occupies two apartments on the 5th floor of a building in a smart district of Gaza overlooking the Mediterranean.

At the offices, dozens of women, most wearing headscarves, are busy at work, one group entering data on global trademarks for a company in the Netherlands.

GAZA'S GOOGLE

Initially Unit One was focused on software development and building apps for iPhone and Android, but now there is a larger unit handling data-processing.

Along the way there have been serious hurdles, including the war between Hamas and Israel last July and August which caused staffing and power disruptions, and the fact banks in Gaza cannot easily receive transfers from abroad.

"It was difficult at the beginning," said Lozon. "In 2006, when the blockade started, we had to open an account in the West Bank," he said, referring to the other Palestinian territory, which is not subject to the same restrictions.

Israel imposed a blockade on Gaza after the Islamist group Hamas won power in 2006. Both Egypt and Israel continue to impose tight controls on the movement of goods and people in and out of the enclave, where 1.8 million people live.

Lozon said the Gaza war had been particularly problematic in an industry where success depends on quick delivery.

"We are trying to regain trust," he said. "We are telling everyone that Gaza can do the job regardless of the obstacles."

Asked about finances, Lozon declines to go into detail, but says the company is profitable and expanding. When he advertised for 10 new jobs, he got 400 applications.

Toyota sells 10.23m vehicles in 2014, still world's top automaker

AFP, Tokyo

TOYOTA sold 10.23 million vehicles last year, it said on Wednesday, outpacing General Motors and Volkswagen to remain the world's biggest automaker, but a shaky outlook for 2015 could see it lose the title to its German rival.

The record worldwide annual sales figure beat Volkswagen, which logged sales of 10.14 million vehicles, and US-based GM, which said it sold 9.92 million cars last year.

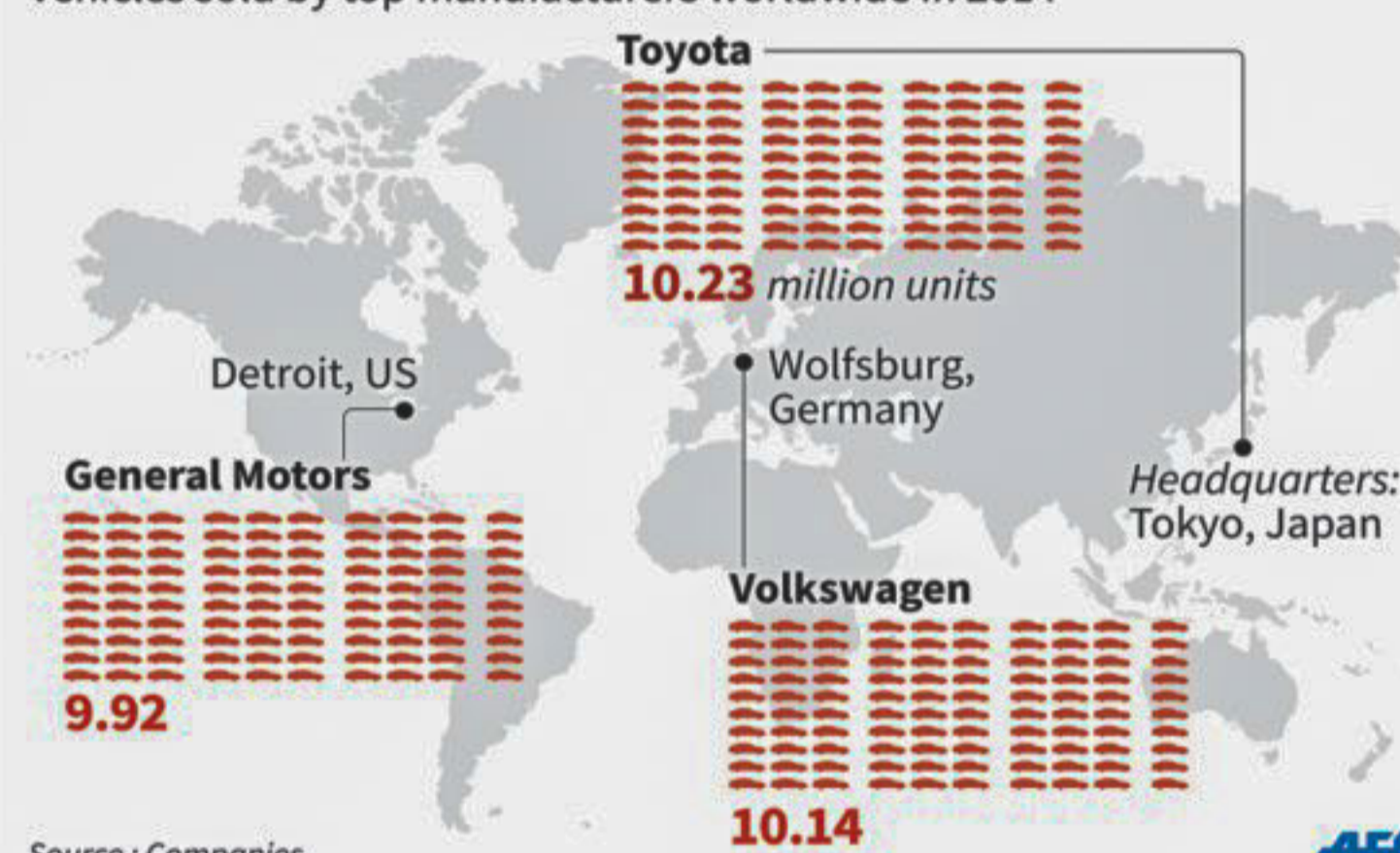
But Toyota also said sales would decline this year to an expected 10.15 million vehicles, as demand falls off in its home market.

That will likely mean Toyota will trail behind Volkswagen this year, as the German automaker rides momentum in emerging economies that could see it take the lead in global auto sales for the first time.

Toyota broke GM's decades-long reign as the world's top automaker in 2008 but lost the crown three years later as Japan's earthquake-tsunami disaster hampered production and disrupted the supply chains of the country's

Auto sellers: the big three

Vehicles sold by top manufacturers worldwide in 2014



Source: Companies

automakers.

However, in 2012 it once again overtook its Detroit rival, which sells the Chevrolet and luxury Cadillac brands.

Toyota boosted its fiscal year through March profit forecast to 2.0 trillion yen (\$16.97 billion), and said revenue would come in at 26.5 trillion yen, as it saw strong results in North America while a sharply weaker yen inflated its bottom line.

But it earlier warned over a

downturn in some other key Asian markets including Indonesia and Thailand, which has been hampered by political unrest.

There are also growing fears about the entire industry's prospects in China owing to concerns about the health of the world's number-two economy.

Toyota's upbeat announcement on Wednesday comes despite the firm struggling to recover its reputation for safety after the recall of millions of cars around the world for various prob-

lems, including an exploding air bag crisis at supplier Takata.

The maker of the Camry sedan and Prius hybrid has frozen the building of new plants for the three years until early 2016, and a Toyota executive at the Detroit auto show told AFP last week that the giant automaker is emphasising quality of sales rather than volume.

Among the moves, Toyota is pushing further into the fast-growing market for environmentally-friendly cars, especially in China where officials are struggling to contain an air pollution crisis.

Toyota said this month it had been swamped by domestic orders for its first mass market hydrogen fuel-cell car, with demand in the first month nearly four times higher than expected for the whole year.

The company received more than 1,500 orders for its "Mirai" sedan since its launch in mid-December. It had planned to sell 400 in Japan over 12 months.

The company also announced plans to develop components for hybrid vehicles with two Chinese automakers in an unprecedented technology-sharing deal aimed at increasing green car sales in the world's biggest vehicle market.

Samsung's Tizen smartphone makes poor first impression in India

REUTERS, Mumbai

SAMSUNG Electronics Co Ltd's first smartphone to run on its own operating system received a frosty welcome after its launch in India, with reviewers and consumers criticising its low-resolution cameras and dearth of software applications.

The South Korean giant's latest handset stands out not so much for its no-frills specifications but for what lies under the hood - the Tizen operating system Samsung has developed to rival Google Inc's Android platform.

Samsung is hoping the Z1 will catch on in the world's third-largest smartphone market, boosting its flagging global market share and gaining a foothold for Tizen among India's first-time smartphone buyers.

But the initial reaction of analysts and consumers after its Jan. 14 launch suggests the Z1 will struggle to get ahead of a crowded field in a country with about 280 smartphone brands on offer, led by Samsung and closely followed by Indian maker Micromax Informatics Ltd.

"Samsung has been delaying the launch of this Tizen phone for a long time and when they finally did it, it turned out to be an underpowered phone," said Mumbai-based filmmaker Samir Ahmed Sheikh as he shopped for a new phone for his wife.

The 3.15 megapixel primary camera and 300,000 pixel front camera are "like a phone from 2010", he said.

"A simple comparison with any of the Android One phones will tell you how much the Z1 is missing," Sheikh said.

IDC analyst Karan Thakkar said that although the Z1's \$92 price tag beat many of the best-known Android phones on cost, it still had plenty of strong competitors in the low-end segment.

"It's not always about the cheapest, customers are looking for specs ... There are already a plethora of devices running on Android that Indian customers can choose from," he said.

In response to the criticism, Samsung said in a statement the Z1's "exclusive benefits" included a simple interface, long battery life and faster page-loading speeds courtesy of Tizen.

Another problem for any Tizen-powered phone is Samsung's failure to excite software developers to tailor applications like games for the platform, analysts said.