'China lauds new Asian trade bloc'

KUALA LUMPUR, Aug 8: Malaysian International Trade and Industry Minister Rafidah Aziz said Wednesday that China welcomed the establishment of the East Aisa Economic Grouping (EAEG) and had a positive attitude towards it, reports AFP.

"Malaysia has stated that it will inform China on the developments on the EAEG from time to time in ASEAN, "the Association of Southeast Asian Nations said Rafidah, who recently returned from China.

She told a press conference that Chinese President Yang Shangkun had welcomed the grouping after her briefing with him, which was also attended by China's Deputy Prime Minister and ministers for Foreign Affairs, Foreign Economic Relations and Trade and Domestic Trade.

Malaysian Prime Minister Mahathir Mohamad proposed the formation of the EAEG in December, as a way to balance western trade groupings should talks on international commerce fail under the General Agreement on Tariffs and Trade.

Kuala Lumpur had hoped that Japan and China would play leading roles in the body, but the response from the reign has so far been cautious, with many countries expressing fears of protectionism.

Rafidah made a six-day visit to China for the inaugural meeting of the Malaysia -China joint economic and trade commission, to promote two-way trade and to discuss the EAEG with the Chinese leaders.

She said the trade commission's first meeting had led to several agreements on trade, investment and economic cooperation.

Dollar gains, gold falls in New York

NEW YORK, Aug 8: The Dollar posted modest gains against major currencies Wednesday despite the Federal Reserve's easing of interest rates, with gold prices held the ground, reports AFP.

The Greenback was traded at 1.7110 German Marks up form 1.7075 late Tuesday, and at 135.95 Yen up form 135.50. The Dollar opened here at 1.7160 Marks and at 136.00 Yen.

The US currency also advanced against other major European Currencies, rising to trade at 5.8195 French Frnacs from 5.8080, to 0.5839 Pounds Sterling from 0.5828, and to 1.4985 Swiss Francs form 1.4915.

Gold prices in turn dropped by 10 cents from Tuesday's closing price of 356.70 Dollars per ounce to finish the session Wednesday at 356.60 Dollars per ounce.

The Dollar's slight gains were linked to technical factors and to hedging following the Greenaback's sharp recent drop, said a city bank trader here, who described the market as " moderately active".

The trade added that barring fresh influences on the market, the Dollars was expected to fluctuate within a narrow range, between 1.7000 Marks and 1.7225 Marks, over the next few days.

Caste-based job quota protested in India

NEW DELHI, Aug 8 : Students attacked buses and blocked roads here Wednesday to protest a caste-based job quota plan, whose main proponents staged a show of strength near the Indian Parliament Police and witnesses said, reports AFP.

Students stoned buses and set up road blocks in several part of the capital, commemorating the first anniversary of the scheme which sparked a wave of student suicides leaving more than 50 dead.

Wednesday's protests which Police said left no casualties, coincided with a demonstration by the Janata Dal, (People's Party), whose shortlived.

Administration on August 7, 1990, announced the scheme reserving almost half of all government jobs for so-called backward castes.

Former Prime Minister Vishwanth Pratap Singh and his party colleagues courted arrest by violating a police ban on demonstration in the vicinity of parliament which was in session witnesses said.

Some 1,000 party supporters attended a rally demanding implementation of the scheme which upper casts students believe was a cynical attempt to carve out a caste based vote block for V P Singh.

The plan, which at one stroke hiked by 27 per cent jobs set apart for the underprivileged backward castes, was seen by its critics

Focus on Dholaikhal—1

VAT hits small units

By Inam Ahmed

Small enterprises in Dholaikhal area are hard hit by Value Added Tax (VAT).

This has caused imbalances in production costs the owners of such enterprises told this correspondent. They said the prices of the same products produced by the units of two categories — those with capital machinery worth over Taka three lakh and others below — would vary due to VAT. Units with capital machinery valued below Taka three lakh are exempted from VAT while VAT has been imposed on units having machinery valued above Taka three lakh.

Industry sources in Dholaikhal observed the VAT exemption terms are irrational. They said that appraisal of the value of capital machinery is very difficult. Most units have machinery ten to twenty years old. Calculation of the capital cost for machinery without taking the depreciation factor into account is "illogical".

According to the operational units, VAT exemption limit at Taka three lakh is "illogical". Most units have machinery valued above the limit. The fear is widespread in Dholaikhal industrial belt that there would be "unfair" means in the calculation of the cost of capital machinery.

The units do not directly import raw materials. They buy raw materials from local retailers. The entrepreneurs said that retailers do not give them VAT receipt. They can not take the advantage to VAT refund or deductions for the raw materials without any receipt. This is applicable for all units irrespective of the value of capital machinery.

Md Chunnu Mia, General Secretary of Dhaka District Dholaikhal Small Spare Parts Manufacturing and Repairing Association told this correspondent that National Board of Revenue (NBR) directed the VAT-registered units to deposit Taka 50,000 with Bangladesh Bank.

He said payment of VAT would be adjusted against that deposit in the form of a chalan. The deposit at the level of Taka 50,000 will have to be kept on a continuing basis and any adjustment for payment of VAT will have to be replenished by the units.

The owners of the units said most of them are not capable to maintain such a huge deposit with the bank.

There are about 3,500 industrial units in Dholaikhal area. Four hundred of them are enlisted with the Association. Md Chunnu said most of the small entrepreneurs have little education. There are only two entrepreneurs having engineering degrees while only about 15 hold secondary school certificates. "This would only indicate the difficulties for most entrepreneurs to comply with VAT provisions," he said.

Most units in Dholaikhal are in acute financial crisis. They carry on their trade against credits. These units take some advances against the orders placed by the parties and then buy raw materials. Uninterrupted production is affected because of this, the owners of micro or small enterprises in the area said.

The Daily Star will serialise stories on small enterprises producing engineering goods at Dholaikhal area. Reports on the subject will be published in three parts.—Economic Editor.

Finance and Planning Minister M Saifur Rahman addressing the special session of the United Nations Economic and Social Council (ECOSOC) held at Geneva recently. Saifur Rahman led the Bangladesh delegation at the session.

Pakistan to reduce oil imports

ISLAMABAD, Aug 8: The Pakistani government has decided to reduce its oil imports by 0.2 billion Dollars during the fiscal year 1991-92 official sources reported here, says Pool.

In order to reduce the nation's bill and increase national production to achieve self-sufficiency, the government has made efforts to open the country to foreign and private investors for intensive exploration and for application of the technology of reinforced recovery' in the existing oil wells.

AFP from Tokyo adds: Oil demand in the Asia-Pacific region, excluding Japan, is projected to increase two million barrels a day to 13 billion barrels daily by 1995, the Petroleum Association of Japan said Thursday, reports AFP.

Demand in 1990 was running at 11 million barrels daily.

Indonesia, a major exporter at present is expected to become an imported from 1998.

The projection was made in a report compiled by a survey mission sent by the Association to Australia, China, Indonesia, Malaysia, Singapore, South Korea Taiwan and Thailand in July, association officials said.

Indonesia, Malaysia and China, currently the major oil exporters in the region, are all expected to become importers — Indonesia in 1990 and the two other countries by the beginning of the next century.

Refining capacity in the region is expected to keep pace with demand and increase by about two million barrels day by the end of 1995.

Egypt will triple cotton exports

CAIRO, Aug 8 : Egypt will revive its flagging cotton industry by tripling exports this year and ending the state monopoly, the head of the state firm said on Wednesday.

Ahmed Shouman President of the State General Organisation for Cotton, told Reuter Egypt would allocate a million qantars (155,000 bales) for export to recapture markets in Europe and Japan, regardless of harvest levels this year.

He also said he expected the state monopoly on cotton to end by 1994 prices paid to farmers would be adjusted to market levels and quotas for land under cotton cultivation would end.

A cotton exchange would be reestablished in Alexandria where the old cotton exchange closed in 1960 when cotton marketing was nationalised.

Cotton is the most profitable crop for the Egyptian farmer if he is left free from government interference, Shouman told Reuter by telephone from his office in Alexandria.

If his free to sell to whom he wants at the price he wants we're confident that production will increase without any action by the government, he added.

Egypt's cotton exports have tailed off dramatically in recent years, in 1990/91 they were down to just 45,000 bales from 685,000 bales in 1981/82 more.

Forced to sell their produce to the state company farmers have increasingly found other crops like cereals and vegetables more profitable and the area of land under cotton cultivation has shrunk.

Egypt's high quality long staple brands of cotton have also been squeezed by synthetic fibers on the world market.

Priority to export-oriented industries given

By Shahiduzzaman Khan

The entrepreneurs can set up export-oriented industries at their own expense without prior approval of the government.

The Balancing, Modernisation, Rehabilitation and Expansion (BMRE) of these industries will also need no approval, the new industrial policy says.

The objectives of the new industrial policy include giving top priority to export-oriental industries. Various Development Financial Institutions (DFIs) can give final approval of any export-oriented industrial project within the framework of their financing. In this context, no approval from any government agencies will be needed.

The new Industrial Policy envisaged giving more facilities to the prospective entrepreneurs. Machineries and spares for BMRE of the export-oriented industries will get 10 per cent tax rebate.

The export-oriented industries will get the facilities of the Special Bonded Warehouse against back to back letters of credit. In lieu of it, facilities of repaying national import duty and Value Added Tax (VAT) will continue, the new Industrial Policy says.

Duty-draw-back facilities will be simplified and summarised. On this account, Duty Draw Back on exportable goods will be determined on flat rate basis. The present system of getting Duty Draw Back direct from the concerned commercial banks by the exporters will also continue the Industrial Policy says.

Credit upto 90 per cent against letters of credit sale agreement will be offered to the exporters.The rate of XPB and exportable qualities will be regularly reviewed to provide export performance benefit.

The new Industrial Policy also provides additional facilities for those export-oriented industries who will use local raw materials.

These industrial include export oriented ready made garments units also. The supplies of local raw material will be given same facilities, the new Industrial Policy says. The Industries Ministry and Textile Ministry will issue orders to this effect in due course.

More foreign currencies will be allocated for promoting export- oriented industries abroad and opening new offices.

Total earnings from handicraft industry will be made income tax-free. Tax rebate will also be offered to the tune of 30 to 100 per cent to other industries on export earnings one hundred per cent tax rebate will be offered to 100 per cent export-oriented industries, the new policy says.

The facilities for import of raw materials for producing exportable goods under prohibited list will continue. To facilitate production of exportable goods, sample products will be allowed to be imported duty-free. National Board of Revenue (NBR) and the concerned authorities will determine the price and quantity of the sample products.

The new Industrial Policy says the export credit guarantee scheme will be strengthened.

Financial support venture capital and special facilities will be offered to those export-oriented sectors which will be identified as 'thrust sector' by the government.

The export-oriented industries will also be given local tax exemption. Local taxes include municipal taxes also, the new industrial policy says.

Facilities announced in the Export Policy will also be applicable to the export oriented and export-backed industries, the new Industrial Policy added.

India lifts curb on exporters

NEW DELHI, Aug 8 : India lifted tough import restrictions on exporters Wednesday, easing back credit limits and relaxing a virtual ban on access to foreign exchange it had imposed in a bid to save hard currency reserves, reports AFP.

Minister of State for Commerce Palaniappan Chidambaram said in Bombay that the restrictions were being lifted to encourage exporters in the wake of sweeping trade reforms announced by India's new government.

We are not out of the woods yet, the Press Trust of India quoted Chidambaram as saying in a note of caution to exporters.

But he added that Finance Minister Manhmohan Singh had been kind enough to respond to appeals from industry and abolish the curbs clamped in March at a time when India's foreign exchange reserves were down to an all time low.

"The Reserve Bank of India (RBI) had banned the free release of foreign exchange for the import of capital goods, and tightened the import of industrial raw materials components and consumer goods banks were directed not to advance money to importers including state owned firms — against Letters of Credit, and all requests for foreign exchange were required to go through a bureaucratic maze.

A drastic 25 per cent surcharge was slapped on import finance, drawing an outcry from India's import-intensive industry and the exporting community.

Chidambaram said the RBI had agreed to increase credit limits for exporters and ease crubs on import of capital goods and raw materials. He said a detailed announcement would follow.

The Minister was in Bombay to launch the Exim Scrip, which replaced a hard-to-get licence that all importers previously required.

The Scrip, a part of reforms announced in July freeing trade for stifling government controls is freely tradable for premium and entitles an exporter to import his requirements against his earnings.

Exporters are allowed to retain 30 per cent of their net foreign exchange earnings in the form of the Exim Scrip, the first of which worth 100,000 Rupees (3,846 US Dollars), were handed over by Chidambaram to businessmen.

Exim Scrips are released within 48 hours of an application being received, the licence it replaced required a wait of 45 days and eight different applications.

Steps to recover money from Noriega

Panama sues BCCI

PANAMA CITY, Aug 8: The Bank of Credit and Commerce International helped former dictator Manuel Noriega steal at least 23 million dollar's from the national treasury, the Panamian government says, reports AP.

The many-tentacled BCCI, which US and European investigators say ran one of the biggest financial scamps in his tory, managed several Noriega accounts during the 1980s.

Panamanian officials say it shifted huge sums of laundered drug money and state funds from branch to branch and bank to bank in an effort to cover the general's tracks.

Panama has filed suit against BCCI in US District Court in Miami seeking to recover the money it says the bank helped Noriega steal.

AFP from Islamabad adds: Pakistan confirmed Wednesday the arrest in Germany of a former senior army officer for alleged links with the scandal-ridden BCCI, which his lawyer denies.

Brigadier Inamul-Haq, 62, was hauled up at Frankfurt Airport following an extradition request from the United States to German authorities, a foreign office spokesman said.

He denied that Haq, Chairman of a local firm with sole distribution rights to components of Suzuki and Fiat cars as well as Massey Furgosen Tractors, held any government position.

Reports from Frankfurt said Haq was detained for his alleged links with BCCI. He was wanted for allegedly conspiring to smuggle special steel for Pakistan's controversial Nuclear programme with BCCI finances in violation of US export laws.

BCIC clarification

Bangladesh Chemical Industries Corporation (BCIC), in a clarification to our news item captioned 'BCIC urea sale procedures contradict trading rules' published on August 3 said:

Each fertilizer factory has got its specific installed daily delivery capacity. Normally, it can deliver whatever quantity it produces every day. By utilising the maximum capacity, it can sometimes, deliver more quantity provided there is previous stock of bagged urea.

Because of limitation of delivery arrangement facilities and with a view to avoiding unnecessary critisism complaints about delay in delivery, BCIC was not in favour of receiving advance orders for more than what the factory can produce in 10 days. But on the request of the esteemed customers and also on the recommendation of Agriculture Minister, BCIC had to relax this limit from 10 days to 12 days production and another time from 12 days to 21 days production. Later, at one stage on the insistence of the Ministry of Agriculture all restrictions were totally waived.

It is not the policy of BCIC to receive payments in advance from the buyers and earn interest from Bank on the deposits. Rather, BCIC prefers receiving payments to that extent for which the factories can effect delivery within a reasonable time. But on the pressure of customers BCIC have to forgo this policy and the factories are receiving payments in advance and making deliveries on "first come first serve" basis according to their delivery capacity.

The traders deposit money or open inland L/C against allotment letters issued to them with clear terms that delivery shall be made on "first come first serve" basis at the price prevailing on the date of delivery. And this practice is being strictly followed in all urea fertilizer factories. As such, it is not possible to consider the suggestion as put forward in report with regard to not charging the price of August to the pending delivery orders of July.

The price of urea is reduced in the lean months below the maximum selling rate in order to attract the buyers and also to avoid interruption of production due to over stock. The price is raised in the subsequent months on the basis of weighted average to compensate the loss incurred during the previous months.

Normally, July is a lean month for fertilizer consumption. Ministry of Agriculture gave an indicative requirement of 70,000 MT. The suspected report of crop damage in the northern districts by The Daily STAR Economic Reporter can not be entertained, because more than 1,46,000 MT of urea was delivered in July and huge quantity is still available with the traders as well as in the factories. It is worth mentioning that fertilizer factories have been running at more than 90 per cent of the installed capacity and are trying their utmost to meet the demand of the country.

NEW DELHI : Students demonstrate in favour of a controversial caste-based job quota scheme August 7 near Parliament House in the Indian capital. Approximately 1,000 people took part in the protest with students blocking roads and stoning buses before courting arrest. — AFP/UNB photo

Australia caught in crossfire of EC-US grain war

CANBERRA, Aug 8: Australia called in the 12 ambassadors of the European Community (EC) on Wednesday to express grave concern over the Community's what subsidy war with the United States, reports Reuter.

Australia also criticized the United States on Wednesday when Foreign Minister Gareth Evans held talks with Richard Solomon, US Assistant Secretary of State for East Asia and the Pacific.

"Evans made it clear he feels the issue is a toxic one in the relationship" Solomon told reporters after the meeting.

Primary Industries Minister Simon Crean told the European ambassadors that Australia, which sees itself as caught in the crossfire of a grain war, believes the EC is the fundamental cause of the problem.

Crean told reporters he gave the ambassadors a letter of complaint that said Australia was "gravely concerned at the ... subsidy war."

"In many senses the US problem is a consequence of what is a happening in Europe, and there's not much point in ignoring the cause in the process of allocating the blame," he said.

"What we hope from today is that the message not only is conveyed back but we get some common sense into the European Community countries that are responsible for this subsidy war."

Australia is concerned that many of its unsubsidised 45,000 wheat farmers are going broke because of the dispute, which has sent the price of wheat to a 50-year low on international markets.

The United States has sold subsidised wheat to four of Australia's key traditional markets — China, Egypt, Kuwait and the Soviet Union.

It has offered to sell 300,000 tonnes of subsidised wheat to Yemen — double its normal allocation. Yemen is another traditional Australian wheat market.

"What we have to do in the medium-term is stop this madness where one is following the other at the expense of efficient producers in Australia who don't receive subsidies." Crean said.

Australia's trade experts meet on August 12 in Washington with their US counterparts. Australian officials hope for a meeting of Australian and EC ministers in September.

Concern over slow recovery of US economy

WASHINGTON, Aug 8: The Federal Reserve is concerned over what it sees as a lackluster economic recovery at a time when some analysts question why the central bank hasn't been more aggressive in cutting interest rates, reports AP.

In the view of these economists, the Fed has been overly concerned about inflationary pressures and too timid to push rates down fast enough to boost economic prospects.

The analysts, however, predict further rate cuts down the road if the economic statistics, as expected, continue to flash danger signals of a renewed recession. The newest statistic was due Thursday with the Labour Department's release of data on new filings for unemployment benefits.

While that indicator can be erratic from week to week, analysts said the layoffs have stuck at stubbornly high levels that indicate any economic rebound will be weak at best.

On Wednesday, the Federal Reserve released a down beat assessment of business conditions nationwide that indicated that any upturn so far has been spotty, with some sectors actually doing worse in recent weeks.

"According to contacts around the country, national economic conditions continue to improve but at a slow, uneven pace," he Fed said in a report it prepares eight times a year in preparation for meetings of its chief monetary policy committee. The next meeting is scheduled for Aug. 20.

The Fed's survey found weak demand for manufactured goods, sluggish consumer sales, commercial real estate still in the doldrums and rising layoffs in such industries as banking and airlines.

The new "beige book," compiled from reports received from the Fed's 12 regional banks, was in marked contrast to the last survey, released June 19. In that report, the central bank found more reason to be optimistic that the country was rebounding from its first recession in eight years.

"There is a much more dour tone in this report compared to the last one," said Robert Brusca, chief economist with Nikko Securities in New York.

Brusca said that given the new assessment, it was difficult to understand why the Fed chose to lower a key interest rate by only a quarter-point on Tuesday.

The central bank pushed its target for the federal funds rate, the interest banks charge each other, down from 5.75 per cent to 5.5 per cent. It marked the ninth reduction in this rate since last October, when the funds rate stood at 8 per cent.

All but one of the reductions has occurred in 0.25 per cent point steps, a pace that Brusca said had been clearly too slow given the severity of the economic slowdown.

"They are moving in baby steps. The Fed has to do more," he said. "At the ends of most recessions, the Fed has pushed interest rates below the rate of inflation and they haven't done that this time."

Other economists said they were looking for the Fed to cut rates further, either after the Aug 20 policy meeting or after the next unemployment report is released on Sept 6.

"The Fed view has shifted and they are more pessimistic about the economic recovery," said Mark Zandi, senior economist at Regional Financial Associates, a consulting firm in West Chester, Pa.

Weak economic statistics in recent days have begun to raise fears among analysts that the feeble 0.4 per cent economic growth in the April-June quarter could falter and turn negative in subsequent quarters, plunging the country into a double-dip recession.