

Govt will procure raw cotton

State Minister for Textiles Major (Retd) M A Mannan Thursday told the Jatiya Sangsad that the government had decided to procure raw cotton for the country's textile mills during the harvesting season of the crop at a cheaper price, reports BSS.

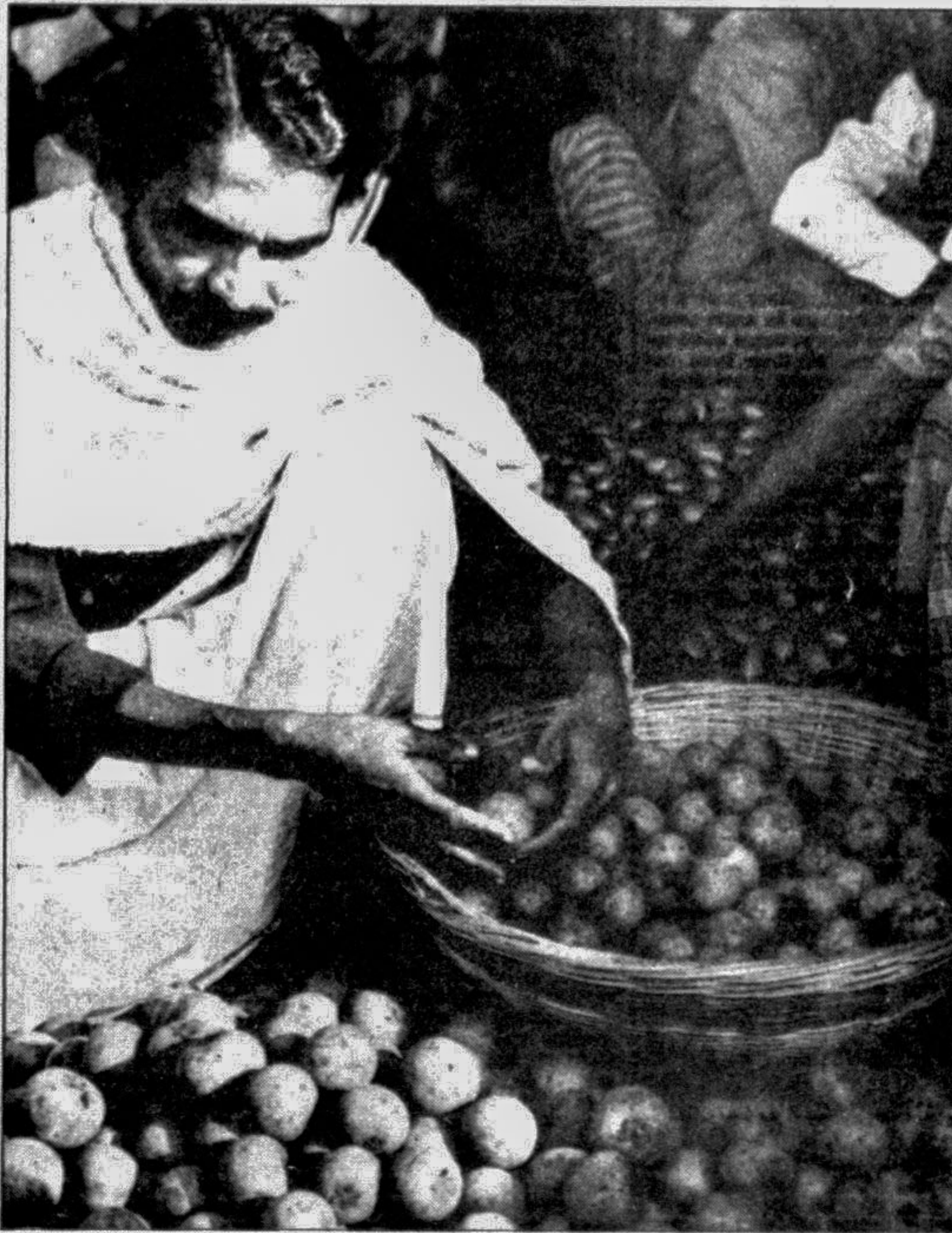
Making a statement under Rule 300 of the Rules of Procedure, the State Minister refuted the news item published in the Bengali daily, Ajker Kagaj, that the government was trying to import cotton to the tune of 50,000 bales from Pakistan without any international tender.

Earlier, the Awami League member Begum Sajeda Chowdhury drew the attention of the Chair to the news item on the import of raw cotton from Pakistan as published in the daily and demanded a statement from the Minister concerned.

Dismissing the charges, the State Minister said the government had so far decided to procure 38,000 bales of cotton through spot tender at a price of 0.52 cent per pound against the previous price of 0.83 cent per pound. He pointed out that this was the lowest price at which Bangladesh had procured cotton over the last five to six years. He said eight parties participated in the spot tender.

Regarding the involvement of the Pakistani Ambassador in Bangladesh in the process of procurement of cotton, the State Minister said the Cotton Export Corporation of Pakistan had also participated in the spot tender but that was rejected.

The State Minister said the government was trying to procure another 50,000 bales.



Sabetas, a nutritious fruit, has started arriving in markets. Observers feel that efforts may be made to boost its production across the country. — Star photo

Commentary

Foreign exchange rate fixation: More to ponder

By Abu Ahmed

Once there was a time when it was too hard for one to get permission for foreign exchange to go abroad or to send some money out of the country for purchase of an item like a book or a presentation kit. Thousands of applications used to remain piled up in the Foreign Exchange Department of Bangladesh Bank for clearance. In most cases, a person had to travel abroad with such a meagre amount of foreign exchange that he could hardly pay for even his one day's stay at hotel. The foreign student advisors on the campuses of universities abroad used to look at us amusingly, and sometimes even with pity when they heard that we had only 100 dollars or so with us and quickly moved to make available to us our scholarship or assistantship money before the academic session started.

One or those days, we are now in a much more relaxed position as far as the issuance of foreign exchange is concerned. But still it is not totally free; permission is still needed from the authorised dealers, in some cases from the central bank itself if it is for the purposes other than the specified in the earlier notification, and for the amount above the one already mentioned.

In those days when there was a strong control over foreign exchange use, a person possessing a foreign currency with in the country without prior permission from the authority passed his time always in fear. Now a days that too is gone as possession of a few dollars by one is no longer seen by authority with so seriousness as to take legal action against him. In those days, exchange rate was also too rigid; once fixed, it never seemed to be changed.

The demand and supply forces were not allowed to play their role to determine, at least, to influence the exchange rate. People had to receive a much lower price for any foreign exchange they brought in. Result: a steady growth of black marketing in foreign exchange like the same in any other controlled economy of the world.

Things have changed much in this respect with the influx of our labour force mainly to the Middle Eastern countries since the mid-seventies. With more and more manpower going abroad for work more and more foreign exchange started coming to Bangladesh. The government felt to give a competitive rate for the incoming foreign exchange in local currency in order to avoid smuggling as well as black marketing in foreign exchange.

The government rather hastily introduced a new rate named Wage Earners Rate at

the beginning of the last decade offering about 10 per cent higher than the normal ones for remittances coming from abroad. With that, another exchange rate emerged for the remittances from Bangladesh working abroad known as 'Auction Rate'. This rate was used to for selling the foreign exchange from the F.C accounts of wage earners abroad and was operated by their local nominees. In other words, foreign exchange from the non-resident foreign currency deposit (NFCD) used to come to the auction market on daily basis for fixation of rate.

The Wage Earners Rate was higher than the Auction Rate. It was alleged that a handful of auctioneers, in collaboration with others, used to keep the Auction Rate lower to their own benefit. They sold the auctioned foreign exchange at competitive rates later to the prospective buyers.

Virtually, there was another rate in Bangladesh foreign exchange market—the street rate which was fixed up bilaterally by buyers and sellers. The buyers used to keep waiting in front of bank counters or authorised dealers and constantly eyeing for one who brought foreign currency to surrender to the banks or authorised dealers. The sellers were those who received money in cash or draft or money orders from their relatives abroad or themselves brought the money on a return trip to Bangladesh. The street rate offered better benefits than the two other rates, but less than the Wage Earners Rate; and fourth, the street rate, the best in terms of benefit.

Why did so many rates exist or do still exist in Bangladesh at the same time? Simply because of the system of control. A controlled system does not or cannot take into account the movement in demand and supply which is basic to any market-based economy to fix up rates.

Why do we control? There are arguments, though not convincing. The most voiced argument is that money will flow in foreign exchange out of the country had there been no control in foreign exchange rate and quantity. Also, that foreign exchange will not be used for the purpose other

than the one intended for. In other words, in order to prevent flight of capital and 'misuse' of foreign exchange rate regulation is imposed. The other argument which is corollary to the second argument is that Bangladesh does not have enough foreign exchange to keep it totally without control. Hence, at this moment two controls are in force: one, in terms of predetermined rate; two, in terms of total quantity allowed to be used for a specific purpose.

In pursuance of this, Bangladesh Bank recently issued its FE Circular No 26 suspending all other exchange rates previously existed, and imposing its own one which came into effect from January 1, 1992. The decision brought protests from the brokers who used to participate in the previously existed auction system, and also bargained the rate on the street.

They argue, a single rate will deprive the foreign exchange earners of a better competitive rate. As far as the theoretical basis of this argument is concerned they have a point though many believe that they took advantage of the multiple rates hitherto existed to their own benefit.

Some unscrupulous travel agencies also used to take advantage of multiple rates by selling out the issued foreign exchange against the tickets issued on the street without actually using the issued tickets for travel purpose. This was an easy business for the corrupt travel agents and brokers provided by the multiple rates.

Previously, the multiple rates emerged out of a controlled and regulated system in foreign exchange. Now, how Bangladesh Bank can think that those rates won't again emerge in the present controlled system? Any rate which is fixed by a dictate automatically breeds many other rates if the fixed rate does not reflect the reality of the market. The reality of the market is best reflected by the forces of demand and supply in a competitive framework. Hence no rate is a real rate unless constantly forces of demand and supply are taken into account.

In such a situation, the Bangladesh Bank must be ready to meet its obligation with respect to foreign exchange—against its taka liability. For a country like Bangladesh the flexible rate is thought to be an ideal one, but it needs constant revision. If our taka loses value in terms of other currencies we must not try to keep it high artificially. Weekly, or even more frequently, revision will be needed to make flexible exchange rate work and also prevent other rates to emerge.

But unfortunately, we are hesitant to revise our exchange rate on a regular basis, lest someone says that we have devalued our currency. Control over foreign exchange in rate and amount no way prevents the outflow of capital or improper use of it. This is a very delicate area, and people must be convinced that whatever is done by Bangladesh Bank is good.

Could we do away with other rates completely? The answer is 'no'; already there are other rates prevailing on the street. Who are setting these rates? The same brokers who were driven from the bank counters after the issuance of FE Circular No. 26. For whom are they buying the foreign exchange when they are not allowed to deposit the purchased exchanges with the banks? They do not deposit them, they rather hand over them to other users who, in this case, are importers without legal permission; someone may call them smugglers.

Bangladesh Bank is also under obligation to take this street rate into consideration while fixing up its own foreign exchange rate. Now, this is the only real rate left out in the market to be seen and examined apart from the one it uses to calculate its real effective rate in foreign exchange rate. Bangladesh currency—the taka—is tied to a basket of currencies in which Bangladesh performs more transactions in its foreign trade dealings. If these currencies lose value in international market, the taka will gain in exchange. If they appreciate, taka will lose.

Apart from this, the respective contribution by a specific foreign currency to our foreign exchange earnings through trade is also a factor to be taken into account. To calculate the changes in external balance of payment and the taka value, Bangladesh Bank has a technical cell. One can hope, this cell will also take into account the exact position of the street about the value of our currency in terms of other currencies.

(The writer is an Associate Professor of Economics at Dhaka University.)

Sharp rise in prices hits commonman

Prices of essential commodities registered a sharp increase during the last few days compounding sufferings of commonman, reports UNB.

All types of rice, lentil, soyaboin oil, fish, powder milk, flour, egg and some vegetables have become costlier despite satisfactory stock and supply.

Fine rice was selling at Tk 15 per kg, coarse rice at Tk 11 to 12 per kg, lentil at Tk 32 and soyaboin oil a Tk 40 per kg.

A survey conducted in some city markets revealed that these items were sold at 2 to 5 Taka less only a fortnight ago.

Prices of fish have also increased from Tk 5 to 10 per kg within a week.

Prices of different brands of tinned milk powder have shown a marked increase. A 5-pound Dano sold at Tk 294 while another popular brand Red cow at Tk 290. Those were available last week at Tk 265 only.

Even eggs, now found in abundance, were selling at

higher prices. One hundred eggs cost Tk 280 against Tk 240 last week.

A housewife of Siddeswary area Hasina Shaheed (45) feared that the price of essentials would increase further in view of Ramadan.

Kazi Abdul Hanif (32) of Shantinagar area said, "we are now accustomed to price hike." It is really unaffordable by the consumers, particularly those in the fixed income middle class group.

Founder President of Consumers Association of Bangladesh (CAB) Dr Sakawat Ali Khan told UNB that, "our market is a seller's market, not the market of buyers."

Everything, particularly ups and downs in prices of essentials, depends on sellers, said Khan and added that consumers have to be mobilised to get rid of the sellers' clutches.

He said in the developed countries consumers are more organised so that sellers can't do anything they like.

Shipping Intelligence

Chittagong Port

Name of Vessels	Berthed	ETD	Berth	L. Port No	L. Agent
Mild	11/01	22/01	J/1	Singapore	CSA
Nortween Novo	19/01	25/01	J/2	BOM	MSA
Hai Ning	05/01	22/01	J/3	NA	NA
Continent-1	20/01	24/01	J/4	Pena	CLA
Loyal Bird	21/01	25/01	J/5	NA	NA
Eate Presco	21/01	25/01	J/6	NA	NA
Elli-M	21/01	27/01	J/7	NA	NA
Knud Jespersen	20/01	23/01	J/8	Singapore	CT
Al Reza	09/01	24/01	J/9	Mong	AQUA
Jonathan	18/01	23/01	J/13	NA	SEACOM
Ellit-M	18/01	22/01	MPB/2	Moro	AQUA
Banglar Asha	19/01	24/01	CSJ	NA	BSC
Kang Dong	19/01	24/01	CSJ	Singapore	OSA
Banglar Shourabh	17/01	24/01	RM/6	NA	BSC
Fong Yun	06/01	25/01	DDJ/1	Singapore	BDSHIP
Banglar Sampad	18/01	22/01	DDJ/2	NA	BSC
Piya-1	12/01	22/01	RM/8	Singapore	OSA
Banglar Swapna	05/12	30/01	RM/9	NA	BSC

Vessels Ready at Outer Anchorage

Name of Vessels	Ready	L. Port	L. Agent
Vishva Pprafulla	18/01	Mad	Sel
Gemini	25/01	Durb	Aqua
Olga	23/01	Kand	Delmure
Aghion Oros	24/01	Ind	Aqua
Reliant	24/01	NA	NA

Vessels Due at Outer Anchorage

Name of Vessels	ETA	L. Port Call	L. Agent
Fong Shin	22/01/92	Singapore	DBSHIP
Atlantic clipper	22/01/92	Singapore	BDSHIP
Banglar Kollol	22/01/92	Munda	GLOBE
Ubarana	23/01/92	NA	JF
Ronjoy Choomie	23/01/92	NA	PSAL
Tabuk	24/01/92	Kand	ENCL
Banglar Shobha	24/01/92	NA	BSC
Lilas	24/01/92	NA	PROG
Endurance Sea	24/01/92	Aquaba	UMAL
Songrim	24/01/92	NA	RRSA
Blue Ocean	25/01/92	Cal	TSLL
Optima	25/01/92	Col	BSL
Infinity	25/01/92	Singapore	ULA
Stonewall Jackson	25/01/92	Phuk	ULA
Shalamar	26/01/92	Col	BSL
Vishva Pankaj	27/01/92	NA	SSL
Fong Shan	27/01/92	Tamp	OWSL
Laurissa	28/01/92	Chin	OSA
Eastern Breeze	28/01/92	NA	RRSA
Chong Chon Gang	30/01/92	NA	RRSA
Felicity	30/01/92	Tamp	OWSL
Seabulk Hope	31/01/92	NA	BBA
New Genlord	01/02/92	NA	BDSHIP
Kota Buana	01/02/92	NA	NA

Chalna Port

Name of Vessel	Berthed	ETA	ETD	L. Port	L. Agent
Tea Chong	22/01	NA	Quingca	Bright	
Mild	22/01	NA	Chittagong	Overseas	
Continent-1	22/01	NA	Chittagong	BSLL	
Marine Three	22/01	NA	Chittagong	BML	
Stefan Casaralecki	21/01	24/01	Calcutta	BSA	
Hai Hing	23/01	NA	Chittagong	Triumph	
Reliant	23/01	NA	Chittagong	AQT	
Shalmar	24/01	31/01	Chittagong	BSC	
NGS Ranger	25/01	NA	Chittagong	BSLL	
Sukit-1	25/01	NA	W. Sumat	Al-Amin	
Royal Bird	25/01	30/01	Chittagong	OWSL	
Vishva Pprafulla	25/01	NA	Chittagong	SSL	
Sea Rhapsody	26/01	NA	Vizag	HIL	
Kang Dong	26/01	NA	Chittagong	Overseas	
Vishva Parag	27/01	NA	Calcutta	SSL	
Sea Carol	28/01	NA	Vizag	HIL	
Banglar Bari	28/01	NA	Chittagong	BSS	
Al-Bashir	30/01	NA	India	TMIL	
Yom Bun Jin	30/01	NA	DPK	Greenland	
Felicity	05/02	NA	Chittagong	OWSL	
Mun Su Bong	05/02	NA	China	Greenland	
Gold Future	15/02	NA	Chittagong	AQM	

Note: Berthed= Vessel at Port Jetty. ETD= Expected time of departure. ETA= Expected time of arrival. NA= Not available. FTI= Expected to berth. Source: Aquamarine Limited.

Exchange Rates

The following are the Commercial Bank's BC selling and TT (C). OD transfer buying rates for some selected foreign currencies effective on January 24 and 25

Currency	SELLING		BUYING	
	EC	TT(C)	OD Transfer	(IN TAKA)
US dollar	38.9326	38.7067	38.4481	
Poundsterling	70.2651	69.9218	69.4843	
DM	24.5013	24.3451	24.1812	
FF	7.1878	7.1425	7.0944	
S Riyal	10.4106	10.3597	10.2811	
D guilders	21.7561	21.6189	21.4734	
S Kroner	6.7398	6.6953	6.6502	
S Kroner dollar	23.8060	23.7287	23.5690	
UAE dirham	10.6364	10.5753	10.5041	
Kuwait dinar	NA	NA	NA	
Indian rupee (AMU)	1.5064	1.4996	1.4921	
Pak Rupee (AMU)	1.5726	1.5652	1.5574	

Authorised dealers will apply TT clear buying rate for purchase of remittances of Bangladesh's working abroad. NOTE: AMU - Asian Monetary Union.

Dhaka Stock Prices

At the close of trading on Jan 16 and 23, 1992

Company	FV/ML	1991-92		High	Low
		January 16	January 23		
BANKS (10)					
AL Baraka Bank	1000/1	1080.00	1050.00	1080.00	780.00
A.B Bank	100/5	177.00	177.00	185.00	155.00
City Bank	100/5	269.77	268.00	290.00	172.00
IFIC	100/5	180.00	180.00	200.00	170.00
Islami Bank	1000/1	1900.00	1900.00	1900.00	1900.00
National Bank	105.00	110.00	107.00	118.00	103.00
Pubali Bank	100/5	100.00	96.00	110.00	85.00
Rupali Bank	100/10	89.00	89.00	110.00	68.00
U.C.B.L	100/5	120.00	120.00	131.00	118.00
Utara Bank	100/5	165.00	175.00	200.00	160.00

INVESTMENT (08)					
ICB	100/5	90.00	90.00	95.00	90.00
1st ICB M.Fund	100/5	340.00	340.00	400.00	340.00
2nd ICB Fund	100/5	150.00	153.00	190.00	150.00
3rd ICB M. Fund	100/5	129.25	129.25	160.00	125.00
4th ICB M. Fund	100/10	124.00	124.00	145.00	120.00
5th ICB M. Fund	100/10	91.00	92.00	128.50	90.00
6th ICB M. Fund	100/10	85.00	84.50	91.50	89.50
Unit Certificate					
Sales Price		116.00	116.00		
Re-purchase		111.00	111.00		

INSURANCE (04)					
BGIC	100/10	120.00	120.00	121.00	104.00
Green Delta	100/10	133.00	128.67	139.25	106.00
Peoples	100/10	147.00	147.00A	150.00	120.00
United	100/10	150.00	145.00	154.00	116.50

ENGINEERING (19)					
Afab Automobiles	100/5	182.21	183.00	208.00	182.00
Atlas Bangladesh	1050	41.00XD	40.00	49.97	36.50
Aziz Pipes	100/5	240.00	240.00	300.00	218.00
Bangladesh Autocars	100/5	74.00	74.00	105.00	70.00
Bangladesh Lamps	105/5	240.00	235.00	266.00	235.00
B.Thai Aluminium	1				