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BUSINESS

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Govt abolishes EPC in exporting jute

The government has announced abolition of the Export Price Check (EPC) in exporting jute from Bangladesh with effect from Saturday, reports BSS.

The announcement was made by the jute Minister ASM Hannan Shah at a meeting of the consultative committee on jute and jute industry held at the Bangladesh Jute Mills Corporation's (BJMC) head office, a press release of the jute ministry said.

Representatives of the Bangladesh Jute Association (BJA), Bangladesh Jute Mills Association (BJMA), Bangladesh Jute Exporters Association (BJEA), Bangladesh Jute Spinner's Association (BJSA), Bangladesh Pat Chashi Samity (BPCS), Bangladesh Jute Mills Corporation (BJMC), banks and financial institutions, took part in the meeting.

The minister urged the concerned exporters to implement the business agreement they reached earlier with foreign buyers.

He also requested the financial institutions to lower their interest rate for jute and jute industry keeping in view the overall situation.

The Jute Secretary M. Akheter Ali informed the meeting that the EC countries have agreed to withdraw their ban on using jute as packing material.

Another report adds: The department of jute is implementing "integrated jute production and marketing project' with the economic and technical assistance of European Economic Community (EEC), a jute ministry press release said Saturday.

The implementation of the project with a total estimated cost of Taka four crore began on November 15 and is expected to be completed by June 30, 1995.

The main objective of the project is to increase per acre yield of jute through improved method of cultivation and thus help reduce cost of production.

Taka is in rightful position

Abu Ahmed
Guest columnist

A disturbing news item appeared in the local press a few days ago to the effect that donor agencies like the World Bank were wanting the Taka to be devalued. It cited the examples, as the report said, of India and Pakistan who devalued their currencies and with whom Bangladesh currency gained substantial appreciation impairing the exports from Bangladesh. India exports jute, so does Bangladesh and jute is the third largest foreign exchange earner for the latter. When India devalued its Rupee two years back, it was quite natural that it would capture a portion of our jute market abroad. But when Indian Rupee was kept high, was Bangladesh able to capture a portion of Indian export market in jute? India's export domination in jute sector came not from devaluation but from productivity and other cost differences between these two countries. Labour cost is an important factor in cost determination, the high cost of labour compared to productivity put Bangladesh in a disadvantageous position vis-a-vis India. We had clear comparative cost advantage in jute in the 50s and 60s when labour cost was not that different, rather it was in our favour.

Over the time our labour productivity went down, machineries depreciated, wastages increased, total number of workers employed exceeded the actual need, and corruption and redtapism engulfed the whole jute sector preventing us from competiting with India. No amount of devaluation of our Taka would be able to correct this position, a mild treatment of the present no-cure position can only be through a quick privatisation of the jute sector, no matter at what price. India did devalue its currency because, for many years, the Indian rupee remained overvalued under a tight exchange control regime. In the Indian black market, rupee used to fetch as much as 6 Rs more than offered by the official exchange rate. India, as a part of total economic reforms toward a competitive market economy, also deregulated its exchange rate. In this context, India made the rupee convertible in current account over two-year period. The deregulation made Indian rupee at par with US dollar at 40 rupee, later stabilised around at 30 rupee — which meant a 60 per cent increase over the previous rate under strict exchange control regime.

The same step was taken by Pakistan. Bangladesh followed it and independently took the same measure to make its currency convertible along with measures to withdraw restrictions it had in foreign exchange transactions. Bangladesh made Taka convertible by an order beginning from October, 1993.

After the deregulatory measures, we did not notice much pressure on Taka towards a downward fixation against other currencies, specially US dollar and British pound. This, in some sense, gave the impression about the inherent strength of Taka. When a currency is inherently strong, it does not need to be devalued. Apart from this, the devaluation as a concept in the changed situation is a misnomer, when a currency is put on a convertible basis under a floating or even a managed floating exchange rate mechanism that currency does not require devaluation in the traditional sense. Why the govt is to intervene in fixing the value of a currency against its counterparts when market is allowed to fix up the true exchange value? Bangladesh could have been told to do so by the World Bank had it not put its currency on a competitive convertible basis.

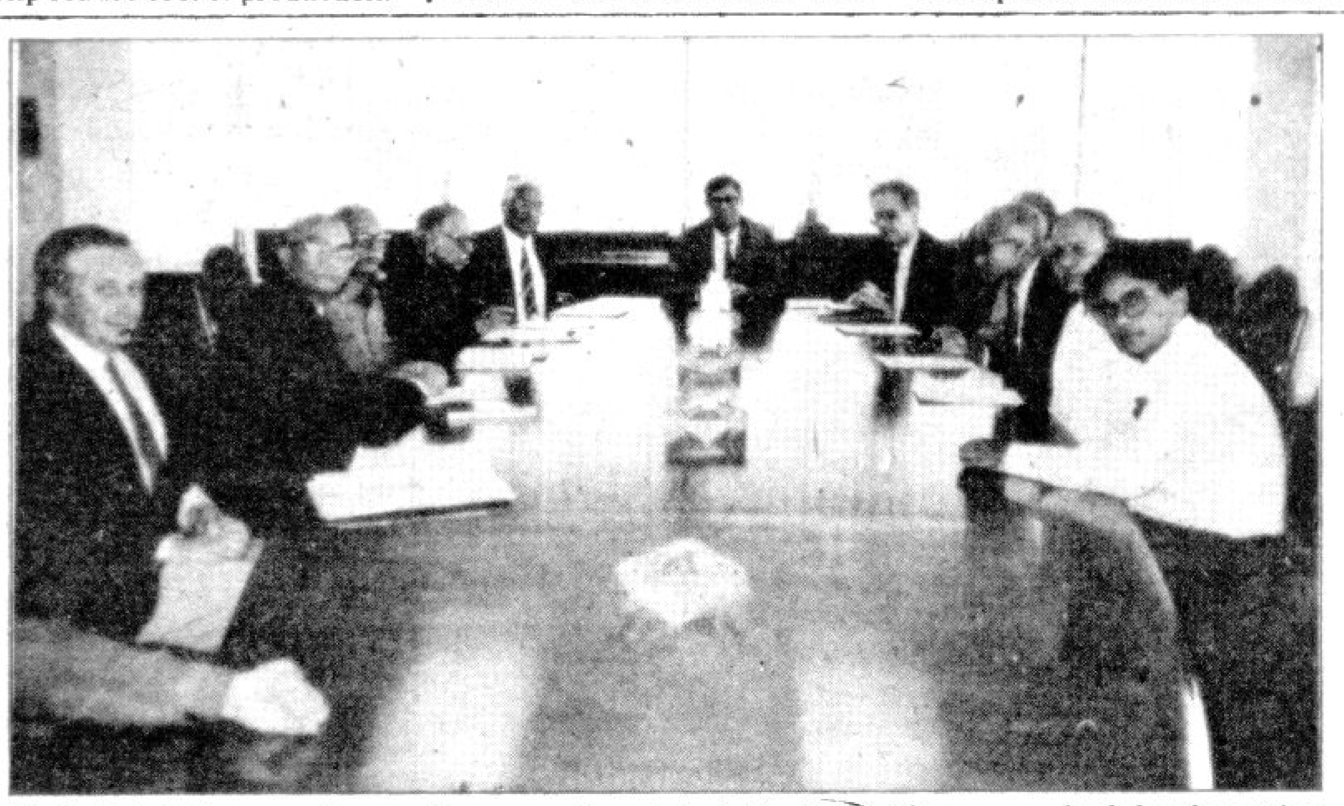
It seemed strange to many not to see any falling trend of the value of Taka when it was made convertible against other currencies. What did it mean? This meant our Taka was already at a position in terms of exchange rate where it should have been. During the last one year or so, Bangladesh Bank constantly monitored the value of our Taka in terms of other currencies, and when it was seen that the value was going down against Taka very quickly, it re-fixed the same — making the market forces reflected in the exchange rate determination. In other words, our Taka was not kept overvalued even when it was being determined by the dictated orders of the Bangladesh Bank. What next step should be in our foreign exchange market, and more largely, in the macro-economic reforms is to be taking further steps towards making Taka hundred per cent convertible, that is, making it convertible in capital account also, The donor agencies have anything to say should have been said in this direction. They should not adopt a traditional way of counselling a devaluation. For Bangladesh, what matters is its 'in-house-matters' in monetary policy. When too many chase too few goods in economics we call the phenomenon inflation. In an inflationary economy, the local currency loses value both against goods in the market and other currencies. If Bangladesh can maintain a domestic price stability, it will need less to be worried in terms of devaluation or do otherwise in foreign exchange market. But Bangladesh needs to be on the guard that mere stability in price level or strong taka against the competing currencies will themselves not bring about changes in the real sector of the economy. Stability in price level and exchange rate enhances the confidence factor in the economy but the more important task is to be done by the entrepreneurs and investors. The strength of a currency is measured by what it buys. At present, Taka, in a low inflation situation, is in a commanding position in terms of purchasing power. When the Bangladesh Bank supplies too much units of taka without considering what is happening in the real sector, then the real trouble will crop up. So long Bangladesh Bank does not go for indiscipline with currency issue, we have nothing to fear. We are now in a stronger position to say 'no' to devaluation.

Dhaka, Seoul sign notes of exchange for economic dev

Bangladesh and the Republic of Korea (ROK) Saturday signed the notes of exchange for economic development cooperation at the Economic Relations Division (ERD) in Dhaka, reports BSS.

The notes were signed and exchanged by the Ambassador of the Republic of Korea to Bangladesh Sung Oh Shin and the Secretary, Economic Relations Division, Ministry of Finance Lutfullahil Majid on behalf of their respective governments.

Through this exchange of notes, the Republic of Korea will extend a loan up to an amount of 14.00 million US dollar from the Korean Economic Development Cooperation Fund (EDCF) towards the implementation of the greater Khulna Power Distribution Project Phase-II which is expected to be signed at Seoul during the Bangladesh foreign minister's visit to Korea early December.



Shah Abdul Mannan, Deputy Governor, Bangladesh Bank presiding over a high level meeting organised by FSRP yesterday. Mohammad Taheruddin, Managing Director of Janata Bank, P J Vath, chief of FSRP in Bangladesh, A R Barnad, international banking consultant and General Managers of the bank are also seen in the picture.

Training on 'generation of steam' opens

Lutfor Rahman, State Minister for Industries, inaugurated a training programme on "Efficient Generation of Steam and Water Treatment Needs" yesterday at Hotel Sheraton jointly organised by Trade Linkers Limited of Bangladesh, and Thermax Limited of India, says a press release.

The High Commissioner of India was also present along with the Chairman and Managing Director of Thermax India Ltd, R D Aga.

This training programme was attended by engineers from various process industries in Bangladesh.

It has exposed all the engineers on various aspects of operation maintenance of boilers and the need for the treatment of water to enhance the life of costly capital equipment, which would help the country to save scarce capital investment.

In the opening programme the State Minister said, "I am sure the participants here will fully utilise this opportunity and help their respective industries for better performance and ensure minimum wastages of precious fuel to strengthen the national economy."

More private insurance companies in the offing

The government has decided to take necessary steps in establishing some insurance companies in private sector on the basis of present socio-economic aspects including continued growth in industry and commerce sectors, reports BSS.

Commerce Minister M Shamsul Islam discussed it while addressing as the chief guest an annual prize giving ceremony of Bangladesh Insurance Academy at the auditorium of academy in Dhaka yesterday.

The minister said the government was committed to pursue the liberal and simple functioning of the insurance in order to make the insurance activities popular to mass people in remote areas.

He called upon all concerned to eliminate hazards if any in connection with timely disposal of dues to the customers in this respect.

Islam stressed the need for reactivise the insurance activities both in public and private sectors as an encouraging instrument through reducing risk in investment to the economic activities as well as widen the scope of employment.

Later the minister distributed prizes and certificates among the participants in the training programme.

Chaired by the Commerce Secretary Syed Ahmed, the function was addressed by Director of the academy C M Rahman and the Chairman of Bangladesh Insurance Association M Moydul Islam.

Bangladesh Bank seminar

A seminar on "Banking with the Poor — experiences in Bangladesh and Asian Countries" was held in the conference room of Bangladesh Bank yesterday with A B M Mahbubul Amin Khan, Deputy Governor, Bangladesh Bank, in the chair, says a press release.

In his key-note speech Benjamin R Quinonnes, former secretary- general APRACA, mentioned about the two successful models for rural lending in Bangladesh — the Grameen Bank Model and the MSFSCIP —Kurigram Model.

The Deputy Governor of Bangladesh Bank A B M Mahbubul Amin Khan explained the role played by the Bangladesh Bank in rural lending.

He requested the GTZ to explore the possibilities for early expansion of the MSFSCIP-Kurigram Project in some new areas of the country.

UAE annual federal spending

Defence, non-productive sectors consume over half

ABU DHABI, Nov 27 : Defence and other non-productive sectors are still taking the lion's share of public and private investment in the United Arab Emirates (UAE) despite attempts to diversify its oil reliant economy, reports AFP.

Defence security, trade and construction are consuming more than half the annual federal spending and private investment while such productive sectors as industry and farming have remained almost negligible.

Official figures showed defence and security expenditure stood at 7.7 billion dirham (2.09 billion dollar) in 1992, more than half the federal budget of 14.8 billion dirham (four billion dollar).

In 1991, they accounted for 50.2 per cent of federal spending of 14.9 billion dirham (4.05 billion dollar) and for 52.5 per cent of the 1990 expenditure of 14.2 billion dirham (3.86 billion dollar).

They stood at 55.6 per cent in 1989 and 56 per cent in 1988.

Reports by the central bank and the Finance and Industry Ministry did not include figures on local spending by each of the seven Emirates making up the UAE as they do not disclose their defence and other budgets. Although the government has introduced attractive incentives to encourage the private sector to set up industrial and farming projects, investments in such fields are still dwarfed by trade and construction.

LGED implementing 3,595 cr projects worth Tk 356 cr

Local Government Engineering Department has been implementing 3,595 development projects all over the country at a total cost of Taka 356 crore, a press release said, reports BSS.

A special review meeting on the development activities of **LGRD held with LGRD and Cooperatives Minister Barrister Abdus Salam Talukder in the chair in his Secretariat office was informed yesterday.**

Month-long training on slum dev leadership begins

A month-long training on "Slum Development Leadership" began on Nov 23 in three different places simultaneously to alleviate poverty and make the slum dwellers-conscious about healthy life style, reports UNB.

Dr Syed A R Bilgrami, Professor and head of the Department of Economics, Jamia Millia Islamia University, New Delhi delivered a speech on "effects of financial liberalisation of Indian economy" on Saturday. A H M Nurul Islam Choudhuri, Director General, BIBM also seen in the picture.

BIBM seminar on Indian economy held

Bangladesh Institute of Bank Management (BIBM) arranged a lecture session on Effects of Financial Liberalisation of Indian Economy on Saturday at the Institute's Seminar Hall, says a press release.

Syed A.R Bilgrami, Professor and head of the Department of Economics, Jamia Millia Islamia University, New Delhi, delivered lecture on the topic. Speaking on the occasion Bilgrami gave a brief picture of Indian economy and its liberalisation policy. He mentioned that bureaucratic attitude was the main problem of development of public sector in India. Only the market economy might overcome these problems, he added.

Tokyo turns Asia into its backyard

Ramon Isberto writes from Manila

Over the past three decades, Japan has turned Asia into its backyard, peacefully creating through trade and investment the Co-Prosperity Sphere Tokyo vainly sought to establish by force during the Pacific War.

But in recent years, Japan's economic satellites— Korea, Taiwan and the booming economies of South-East Asia — have started to turn the tables on their wealthy patron to the north.

Political analysts and economists say just as Washington has learned the limits of its military might, Tokyo must soon come to terms with the bounds of its economic influence in the region.

"Co-Prosperity" was an euphemism for conquest, but today it means for Japan competition with an increasingly prosperous backyard.

Japan is realising that it now has to compete with its booming neighbours. "While developing Asia's trade dependence on Japan is declining, Japan's trade dependence on the rest of Asia is increasing," says J. Malcolm Dowling Jr, assistant chief economist of the Manila-based Asian Development Bank (ADB).

Japan's exports to Asia have grown three-fold since 1985, and now make up 32 per cent of total exports, up from only 24 per cent in 1980, according to Dowling.

In contrast, Japan's share of Asia's imports has generally declined — in China from 34 to 27 per cent and in the region's newly industrialised economies (NIEs) from 35 to 27 per cent.

Dowling adds that Japan has grown more slowly than most of its developing neighbours, and the trend was likely to continue. "These trends underscore significant changes in the structure of economic interaction within the Asian region," he says.

A lot of these changes were wrought by the Japanese themselves. Japanese companies poured nearly 30 billion US dollar to direct investments into Asia from 1985-1990 and built factories with increasingly up-to-date technology.

This turned the NIEs and key South-East Asian countries like Thailand and Malaysia into powerful exporters of a growing number of manufactured goods.

That did not seem to hurt Japanese interests at all since the exporting companies were Japanese-owned or controlled either through equity holdings or technology arrangements.

One result of this wave of Japanese investments in developing Asian countries in the rise of ' reverse exports', i.e. goods produced offshore by Japanese subsidiaries exported to Japan.

Two decades of prosperity in East Asia have certainly benefited Japan. Its investments in Asia yielded about four billion dollar in profits in 1991, while Japanese companies lost 1.5 billion dollar in Europe and North America.

But Asia's bonanza has also led to the emergence of new players in the region's economic contest.

The most interesting is the so-called "Greater China" factor. The ADB calls it the Chinese Economic Area (CEA), which comprises China, Taiwan and Hong Kong.

The CEA, which includes the world's most populous state (China) and the one with the largest dollar reserves (Taiwan) and one of the most dynamic territories (Hong Kong), is at the cutting edge of East Asia's continuing export drive.

Because of its sheer size, the CEA exerts a major influence on the region's economic fortunes.

According to the World Bank, it imports into CEA from the rest of the world keep growing at rates close to the trend of the past 15 years, it will exceed Japan's imports in the next three years.

If the CEA's gross national product (GNP) were recomputed to reflect relative prices (rather than the traditional way of using official exchange rates), the CEA GNP would surpass Germany's and Japan's and approach that of the United States, added Dowling.

The Chinese factor is not confined to China, Taiwan and Hong Kong. The Taiwanese have built a large offshore empire, investing an estimated 12 billion dollar in South-East Asia since 1987.

Taiwanese firms have also taken the lead in investing in the emerging market economies of Indochina, particularly Vietnam.

While the region's developing economies still depend heavily on export markets in the West, domestic demand in these countries has become increasingly important.

Disposal incomes in the NIEs, Malaysia and Thailand have grown dramatically over the past decade and the emerging middle classes in these countries are eager to spend.

—IPS