



# The Daily Star BUSINESS

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## Possible deal to make Africans big losers

LONDON, Dec 9: African countries will be the big losers once the GATT world trade agreement is concluded while China and the European Community look set to make big gains, a British charity said on Thursday, reports Reuters.

Christian Aid said in a report that the agreement being negotiated at the Uruguay Round of world trade talks would make the world's poorest countries even poorer, and called for compensation for the deal's unequivocal losers.

"Losers will include some of the world's poorest countries, many of them in Sub-Saharan Africa, it said, adding that the 69 Lome convention countries would be among the hardest hit.

The Lome convention, originally signed in 1975 and renewed every five years, regulates a special aid and trade relationship between the European Community and 69 African, Caribbean and Pacific (ACP) countries which are mostly former colonies. Christian Aid said Sub-Saharan Africa will face net losses because the region lacks a strong manufacturing base and the ability to take advantage of new market openings in the United States and Japan.

In addition, the Lome convention nations enjoy privileged access to the EC market for their agricultural and industrial products, but will lose that advantage as trade is liberalised.

Christian Aid, which funds some 2,000 development and relief projects in more than 70 countries, said the European Community (EC) would be the biggest winner by far. "In a sense it is a double winner, gaining both on market access and on the reduced burden of... agricultural subsidies."

Organisations for economic cooperation and development figures showed that apart from the EC, which would win 80.7 billion dollar in trade benefits, China would be the nation to profit most from the agreement, to the tune of 37 billion dollar.

## South Korea agrees to import rice to help end GATT talks

SEOUL, Dec 9: President Kim Young-Sam said today that South Korea would allow rice imports in order to help conclude GATT's multilateral free trade talks, reports Reuters.

"We are on the verge of being isolated from the world. Accordingly we have no choice but to adopt this critical position (to allow rice imports), Kim said in a televised address.

"I decided that in this serious situation, there is no other way, Kim said.

Kim said he apologised to the nation for failing to keep the election pledges he made late last year to avoid rice imports at all costs.

"I apologise to the public, feeling keenly the responsibility

of not keeping my promises... I could not prevent the opening of the rice market, Kim said.

He said his government would take immediate steps to ease the plight of South Korea's six million rice farmers.

"I will strongly pursue a plan to come up with comprehensive measures including compensation and agricultural reforms, he said.

**France accepts Blair House accord**

AFP says from Paris: France has accepted the EC-US Blair House agreement curbing EC cereal production without conditions, a French farmers' union said on Wednesday.

The confederation of peas-

ant, or small farmers, which is one of the smaller organisations representing farm interests, accused the French government of being ready to sign an agreement which "preserves only the interests of the biggest producers."

It said that the aim of the government and of the main farmers' union was "merely to seek European financial compensation for the most productive farmers."

**Farmers stage protest**

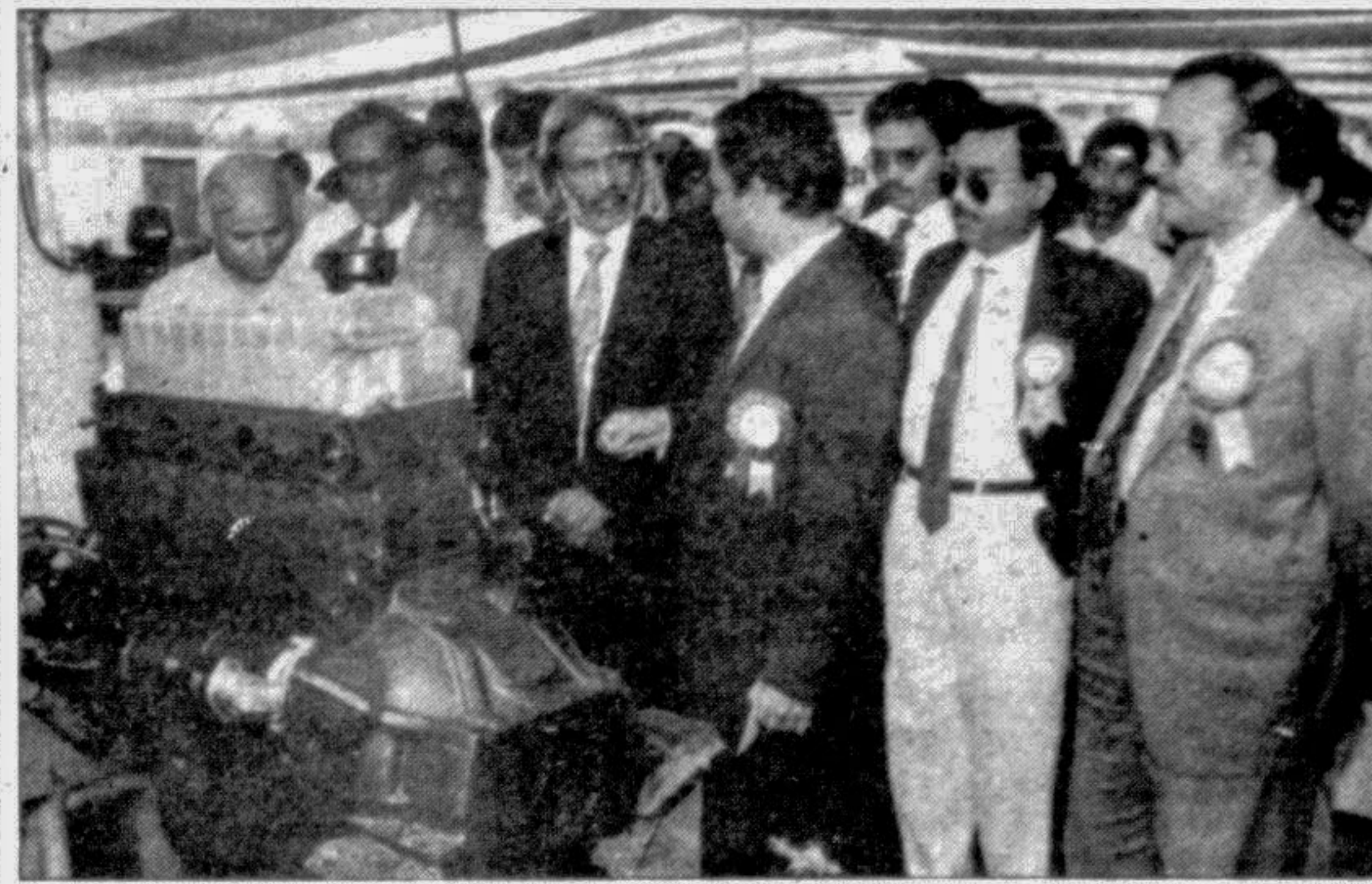
AFP reports from Geneva and Ottawa say: Japanese and South Korean farmers staged a spectacular protest in Geneva Wednesday against a world

trade pact that would require Japan and South Korea to open their markets to imports of foreign rice.

A group of about 30 Japanese, carrying Japanese flags and banners reading "no foreign rice" and "tariffication destroys food security", walked slowly in circles on the broad square in front of the Palace of Nations, the Geneva offices of the United Nations.

Canadian farmers and Quebec separatists ganged on the federal government Wednesday for apparently giving away too much at the Uruguay Round of trade negotiations.

And as far as the farmers were concerned the government gave them little comfort.



Abdul Moyeen Khan, State Minister for Planning opening Tata Expo near Zia International Airport on Thursday. — Star photo

## French economist lauds VAT system

By Staff Correspondent

Dr Yves de Ricaud, a French economist, Thursday observed that the unified rate of value added tax (VAT) in the European Community would help unify the diverse market.

Ricaud, who is currently in charge of Development, Energy, Textiles and Steel Directorate General of Trade — Paris Ministry of Economy, was talking at the keynote speaker at a

seminar titled, "VAT - its general principles and its implementation in the European Community and in France" at the Alliance Francaise, Dhaka. It was organised by CESTI.

Ricaud said all over Europe there was the common VAT rate of 15 per cent and a minimum rate of five per cent. He said the minimum rate was applicable to some essential commodities.



Dr Yves de Ricaud (L), In-Charge of Development, Energy, Textile and Steel Directorate General of Trade, Paris Ministry of Economy presenting his keynote paper at the seminar on "VAT" on Thursday at Alliance Francaise of Dhaka. Sitting on his right: JM Lacombe, Ambassador of France in Bangladesh, Shah Abdul Hannan, Deputy Governor, BB and Xavier Bares, Cultural Attache, Embassy of France. — Star photo

The French economist said introduction of VAT was an efficient way of increasing revenue and it eliminated any debate concerning imposition of new taxes.

Shah Abdul Hannan, Deputy Governor of the Bangladesh Bank and one of the main initiators in introducing VAT in Bangladesh, said the modern fiscal thought insisted that there should be one indirect tax — VAT, and one direct tax — income tax.

He said different slabs for VAT could not be introduced here as this would have created unnecessary distortions.

He maintained that the fear of an inflation because of imposition of VAT turned out untrue as there had been no inflation after its introduction.

During the open discussion some members of the Dhaka Chamber of Commerce and Industry (DCCI) complained that VAT was introduced in the country hastily causing problems for the businessmen.

They said there were VAT exemptions in many cases which were causing serious problems to industry. They also pointed out that there were no systems of credit on VAT on utility services.

The French ambassador in Bangladesh JM Lacombe was present at the seminar while CESTI Director, Dr Rafiq Rashid offered vote of thanks.

## Jt ventures by S Asian states stressed

State Minister for Planning Abdul Moyeen Khan yesterday emphasised the need for joint collaboration among the South Asian countries in the industrial sector to minimise technological dependence on the Western world, reports BSS.

Chairman of Bangladesh Small and Cottage Industries Corporation (BSCIC), M Muniruzzaman Chowdhury, Chairman of Nitel Group Abdul Matlub Ahmed, Project Director of Nita company, a sister organisation of Nitel Group, Abdul Mannan Ahmed and Director of Nita Selima Ahmed and Shah Alam, an automobile entrepreneur of Dolakhal also spoke on the occasion.

Addressing the inaugural function of an automobile parts exposition here, the State Minister said time had come for the South Asian countries to jointly initiate ventures in technology for their mutual betterment.

Nitel group, a local enterprise which assembles and distributes Tata Automobiles in Bangladesh, arranged the exposition of motor parts in connection with its agreement with Tata group to produce Tata parts in Bangladesh with the technological assistance from Tata.

Dr Moyeen Khan appreciated the attitude of the Tata group for promoting automobile technology in Bangladesh and hoped that local cottage industries like small automobile units of the country will be benefited through this venture.

In his speech, Abdul Matlub Ahmed observed that lack of transfer of technology was the main obstacle to the development of the backward countries. He urged the local entrepreneurs to take the opportunities rendered by Tata for producing motor parts in Bangladesh. We won't need to import spare parts from abroad if we could produce quality parts in the country, he said.

## Raw jute trade gains momentum

NARAYANGANJ, Dec 9: Raw jute trade in the terminal market here has gained momentum following the rise of jute price during the last one month, reports BSS.

According to Bangladesh Jute Association (BJA) sources, the reasons behind the buoyant price of jute were the heavy demand and enquires from the jute mill owners and the overseas buyers and the abolition of export price check (EPC) system.

The export price check (EPC) was in operation in jute trade since the pre-liberation days and the present jute consultative committee abolished it on November 30 last to help the exporters sell jute directly to the foreign buyers.

Tossa is now selling at Taka 370 per maund as against Taka 350 a month ago.

The BJA source said about Taka ninety nine crore sixteen lakh was earned in private sector by exporting six lakh thirty four thousand bales of jute till November 30 in the current year.

## Optimistic GATT diplomats launch final push for treaty

GENEVA, Dec 9: Optimistic GATT diplomats on today launched into a final week long push to clinch a treaty freeing world trade by a December 15 deadline, confident key governments want the deal to go through, reports Reuters.

"It's finished. It's all over bar the shouting," said one smiling envoy from a major developing state well-attuned to the state of the talks as he arrived for a negotiating session at GATT.

"We're almost there," said another ambassador, whose own trade minister was fully briefed on the outcome of deadlock breaking negotiations at the start of the week between the United States and the European Community.

And in an interview with France's Europe-1 radio, EC Trade Commissioner Sir Leon Brittan said there was at least a 70 per cent chance that an accord offering a major boost to the ailing world economy would be concluded in the seven days left.

Trade diplomats said there seemed no doubt that the two major traders, and other big players among the 115 nations in GATT's seven-year Uruguay Round, had taken most of the hard political decisions to ensure success.

## Weekly tea sale held with better demand

CHITTAGONG, Dec 9: The weekly tea sale held here Tuesday with better demand as buyers from Russia and Jordan were active, reports UNB.

But the buyers from Poland were more or less passive while Pakistan operated actively and internal buyers operated strongly specially on popular types, markets sources said.

## Seminar on 'new international economic order' concluded

A three-day seminar on 'New International Economic Order' ended at the Bangladesh Public Administration Training Centre (BPATC) at Savar in Dhaka on Wednesday, says a press release.

The seminar held from December 6 to 8, was organised jointly by the International Institute of Public Administration of Paris, the Embassy of France and the Bangladesh Public Administration Training Centre.

The seminar was meant for high officials of Bangladesh Civil Service. It was conducted by Dr. Yves de Ricaud.

The participant spoke of GATT and the relationship between EC and USA and also between EC, France and Bangladesh.

CTC: Large and bold broken had a good market and mostly sold at around last levels except for the bolder types which were occasionally slight easier. Medium broken were about steady while smaller broken were firm to dealer according to quality. Popular types were well supported but at slightly easier rates selling between Taka 53 and Taka 55.10.

Good Liquoring: Fannings sold well at mostly dealer levels except for the plainer types which were generally easier. Popular types are also sold and slightly lower levels selling between Taka 54.50 and Tk 56.30.

Green Tea: 232 chests on offer met with a selective demand. Cleaner lines were strong while stalker varieties were easier. FYH was sold between Tk 56.40 and Tk 57.00, YH between Tk 53.50 and Tk 57.50 and Hyson between Tk 56.50 and Tk 58.50.

Dust: 2,712 chests on offer met with a strong demand at around last levels with few select good liquoring lines selling at dearer rates. CD's and Clonal teas were strongly competed for and sold at attractive prices.

Internal buyers and blenders once again operated in this section of the catalogue.

There were a total of 21,925 chests and 21 paper sacks on offer for auction. Next sale will be held on December 14.

## CIRDAP executive body meet

The 15th meeting of the executive committee and the ninth regular meeting of the governing body of CIRDAP will be held in Dhaka December 11-12 and on December 14 respectively, reports UNB.

The concerned secretaries and ministers of around 15 countries including 11 regular member countries of CIRDAP, namely India, Pakistan, Indonesia, Thailand, Sri Lanka, Vietnam, Lao PDR, Philippines and the host country Bangladesh are expected to attend the meeting.

An international organising committee headed by Secretary Rural Development and Cooperatives Division has already been formed to hold the meetings successfully. Mention may be made that Bangladesh will be elected Chairman of CIRDAP in the meeting for the next two years.

Centre for Integrated Rural Development for Asia and the Pacific (CIRDAP) with its head office in Dhaka is an international organisation, says an official source.

It mainly organises research and action research activities on different aspect of rural development of this region. The outcome of these researches are exchanged among the member countries for their mutual benefit.

Rural Development and Cooperatives Division of LGRD and Cooperatives Ministry is the link ministry of CIRDAP.

## Construction of low-cost buldg inaugurated

The Works Minister Barrister Rafiqul Islam Mia inaugurated the construction of a low-cost multi-storied residential building, says a press release.

He was speaking at a training programme on 'low-cost housing' organised by the Housing and Building Research Institute (HBRI) in the city yesterday.

The multi-storied residential building will be constructed by the loan granted by the House Building Finance Corporation (HBFC) and using materials and technology developed by HBRI.

Earlier the minister distributed certificates among the engineers, architects and planners of various organisations who attended the training programme on 'low-cost housing'.

## \$ 68m ADB loan for road improvement

Bangladesh is to receive a 68 million dollar loan from the Asian Development Bank.

According to an ADB press release issued in Dhaka, the interest-free concessional loan was approved by the bank yesterday.

The money will be spent for improvement of roads in the country.

The 1992 Road Master Plan, which provides a strategic framework for planning road subsector investments, gives priority to the periodic maintenance of roads and proposes

limited reconstruction and new construction only of high priority sections of arterial roads. This approach represents a major shift in investment priorities from development to maintenance.

Since road transport will continue to be critical to the development and delivery of services in Bangladesh, it is crucial to preserve the existing road network through improved maintenance, and by upgrading key road sections and removing

major bottlenecks.

The project aims at reducing transport costs through simple, cost-effective periodic road maintenance techniques and priority road improvements and at improving institutional capabilities to carry out such operations. The project will also improve vehicle inspection and thereby contribute to enhanced operational safety and reductions in vehicle emissions.

The project will include the periodic maintenance of roads through overlays on about 350 km, sealcoat treatment on about 500 km, and rehabilitation of about 100 km. The project will also improve about 70 km of the Lohagara-Ramu road section of National Road 1 to two-lane standards and establish modern vehicle inspection centres at Dhaka, Chittagong, Khulna and Rajshahi.



President Abdur Rahman Biswas addressing the opening session of the Islamic Shipowners Association at a city hotel Wednesday.

## Call money rate ranges from 2 to 8 pc

Money rates in the call money market during the week ended Wednesday ranged from two to eight per cent, reports UNB.

During the same week, interest rates offered by the bank on Certificate of Deposits varied from 5.50 to 10.25 per cent.

The bank rate, however, remained unchanged at 6 per cent, says a Bangladesh Bank press release.

## Schemes for financing growth of small business

Dr. Md. Shamsul Haque

The recently introduced schemes for loan guarantee by the Bangladesh Bank to participating commercial banks in financing creation of small enterprises, particularly by those receiving the "golden handshake" from the state owned enterprises are another attempt by the MOP to increase investment activities in the private sector. These schemes might have been prompted from the slower responses of the banking system to increase lending against cashflows as opposed to lending against collaterals as well as reducing lending rates to attractive levels. That is, these schemes are aimed at easing the supply side problems for financing small enterprise formation.

On the demand side, these schemes are primarily targeted for retiring public sector employees with some ready cash and "experience". Apparently there seems to exist an expected match between supply of loanable funds and demands for them. It is, however, not known if there were sufficient invest-

gations on the schemes before they were launched.

What has been established is that banks are sitting on idle moneys because borrowers are not coming in large numbers to use them. Only the future can tell what will be the outcome of the new schemes. There is, however, no doubt these schemes are desperate attempts by a democratic government to attain higher rates of growth in the economy which suffered drastic setbacks during the eighties under the autocratic regime. Everyone concerned with these schemes, therefore, should work to attain their goals.

It should be mentioned here that credit guarantee schemes are not entirely new in Bangladesh. The fate of the Export Credit Guarantee Schemes under the Export Development Fund with Shadharan Bima Corporation is well known to

the concerned people. While export increased, projects financed by the ECGD of Shadharan Bima Corporation mostly failed and banks realised claims without making any effort to collect money from the borrowers. That such failures are not repeated and another round of money go-not round does not take place must be ensured by concerned agencies. There is also the danger that such schemes can frustrate achievements of the FSRP which is making slow but steady progress.

The real issues for such schemes to succeed is to look carefully in the demand side of investments. What goods and services are in demand in the domestic economy of Bangladesh? If those can be produced at competitive costs and affordable prices by the target customers? Do the retiring employees possess required

skills and management capabilities? Under what forms of organisation the people are likely to come forward to take entrepreneurial risks? Answer to these and other questions must be searched and researched because these questions are closely associated with success of these schemes. This article is not going to discuss the pros and cons of these questions. Now that the schemes are already launched the MOP & MOI should also initiate the following, if not already done.

First Project profiles for several hundred projects of various sizes should be prepared with utmost seriousness by experts drawn from various fields — scientist, engineers, economists, financial and market analysts. In general, these project profiles should be prepared under the "what if" mod-

els and identify critical factors in success and failure. Given the recognised facts that the Bangladesh economy has gone through a period of artificial hikes in cost structure, it may be difficult to find sufficient numbers of genuinely viable projects. Unless we can establish on an ex-ante basis the financial viability of a sufficient number of projects, we should not invite the retiring individuals to risk their lives' savings and increase the burden of sick industries.

Secondly, concerned agencies should ascertain what sort of technical, managerial and other skills are available in the target groups. It may be mentioned that other than some purely technical skills which may or may not be relevant for the kind of projects being considered, public sector employees

have very little experience which may be useful in competitive market economy.

There is, however, no doubt most of them would lack in entrepreneurial skills, which is the single most quality to be looked for under the scheme. There are some standard checks in profiles which may be applied to determine the overall suitability of individuals and their families for undertaking entrepreneurial risks. It must be emphasised that "entrepreneurial risks cannot be insured".

While banks may get their money reclaimed from the insurance scheme, the entrepreneurs themselves must bear the ultimate risks of failure of their ventures and loss of their equity, sometimes all of it. Whether the target groups have abilities to undertake business opportunities where failures are more often the case than suc-

cesses, should be examined.

It may be worthwhile to direct the attention of the lending banks as well as prospective investors to certain sectors such as textiles and garments which have been identified as the thrust sector for increased investment, employment and export. For that purpose, project may be funded by grouping some investors to form private limited companies as their separate resource may not be sufficient. Financing under the scheme then will have to be re-designed.

Lastly, institutional support facilities must be provided in profiling projects and investors, for training and retraining of prospective investors in required skills in production, marketing, accounting and forecasting. All over the world, governments have helped to setup such facilities within existing and new educational

institutions, specially in business, engineering and technical schools without which entrepreneurship and small business development would not have flourished.

In Bangladesh limited capacity for such services have been built in MIDAS, IBA, BSCIT, PSW (BEA) and a few NGOs. There is now a need to link these institutions with the prospective schemes as well as create similar facilities in other places to cope up with the increased demand for such services. Without such support services the demand side of the investment equation is not likely to be activated and supply may not create its demand as it appears to be the assumption behind these schemes.

Bangladesh Bank being the leading agency of the government should take up the issues raised in this article besides being the guarantor of credits under these schemes.

(The author is Professor and Director, Institute of Business Administration (IBA), Dhaka.)