

## Reaction

TOKYO, Feb 12: Japanese business leaders are concerned about further deterioration of trade ties between Japan and the United States following the failure of summit talks in Washington to resolve the trade surplus issue, reports AFP.

"We must say the relationship between Japan and the United States fell into a serious situation," Takeshi Nagano, chairman of the Japan Federation of Employers Association, was quoted as saying by Jiji press today.

Gaishi Hiraiwa, Chairman of the Japan Federation of Economic Organisations, said: "The outcome resulted from Japan's efforts to maintain its stance against managed trade by all means. We cannot help it."

In the wake of the failure, senior US administration officials have already warned that Washington might impose sanctions on Japan in an effort to penetrate the closed markets here.

Kosaku Inaba, head of the Japan Chamber of Commerce and Industry, said he hoped that the United States, maintaining its sound judgement, would avoid resorting to emotional steps.

### Emirates signs accord for its Boeing 777 equipment

Emirates, the international airline of the UAE has signed an agreement with Allied Signal Aircraft Landing Systems for the supply of Bendix wheels and brakes for its new Boeing 777 aircraft, says a press release.

This follows Emirates confirmation of a multi-million dollar order in July 1993, for Rolls-Royce Trent engines to power its Boeing 777 fleet.

In the latest agreement with Allied Signal, Emirates has opted for Bendix main wheels, main brakes and nose wheels, designed for durability, reliability, smooth braking, cost-effective operations and excellent maintainability.

The new Bendix carbon brake incorporates the technologically advanced CARBENIXR 4000 material, which ensures top performance for Boeing 777 aircraft well into the 21st century.

Emirates, which today operates the youngest Airbus fleet in the world, has placed orders for 14 Boeing 777s — seven firm and seven on option — for delivery from March 1996.

### Shahjahan inaugurates ferry service

State Minister for Irrigation Mosharrar Hossain Shahjahan said that present government has attached priority in infrastructure development across the country, reports UNB.

The State Minister was inaugurating ferry service between Shoshiganj and Manpura in Bhola district on Friday.

Long-felt demand of the people of the district has been fulfilled through introducing the ferry service, Mosharrar said.

Later, the State Minister handed over an ambulance to Borhanuddin Sadar thana hospital.

### Costa-Rican call to consider economic reforms

SANJOSE, Feb 12: Costa-Rican's lame-duck government has asked Congress to consider a series of economic reform despite opposition from President-elect Jose Maria Figueres, officials said yesterday, reports AFP.

Outgoing President Rafael Calderon submitted the World Bank programme to Congress for approval in its session that begins Monday. Figueres, who will take office May 8, opposes it.

Under the plan, the government would receive 180 million dollars in World Bank credit if it reforms the commercial and financial system in the country.

The government would end state monopoly over insurance companies, reduce taxes and reform its oil policy.

Figueres, who campaigned against the programme, said this week that he had told World Bank officials that he continued to oppose it.

He was elected in Sunday's vote on a social Democrat platform of fighting poverty.

"Enough of the neo-liberalism that has impoverished Costa Rica. Now we will take the road of progress with social justice, Figueres said after winning the election.

## Clinton, Hosokawa fail to reach accord on trade

WASHINGTON, Feb 12: President Clinton and Japanese Prime Minister Morihiro Hosokawa failed to patch up deep differences on trade, and Clinton abandoned diplomatic niceties to declare Japan's markets locked tight, reports AP.

Clinton maintained a tough line Friday while the Japanese continued to resist the use of specific benchmarks to measure whether US products were getting a fair share of Japan's markets.

With Hosokawa standing somberly at his side, Clinton gave a blunt assessment. Deadlocked talks, the president said, were better than "an empty agreement."

Tokyo's negotiating stance "simply did not meet the standards" the two sides had set in a preliminary agreement last summer in Tokyo, he told a news conference. After more, then 30 trade accords, Japan remains less open to foreign

imports than any of the major industrialized nations, he said.

"Its regulations and practices screen out many of our products, even our most competitive products," he said.

Hosokawa said "We have not yet come to agree on all the important issues, despite our intensive negotiations over the past six months."

US officials said they would not go back to the table until Japan changes its position on "objective criteria" to measure opening of its markets. They said that appeared unlikely.

The administration is now considering unspecified other options, presumably including trade sanctions, to force opening of Japan's markets, said the officials, who briefed reporters on condition of anonymity.

The United States will proceed "promptly, responsibly and carefully," one said.

Options under consideration include sanctions on

Japanese telecommunications imports. Or there could be a revival of an expired law that required the administration to single out countries for possible retaliation for unfair trade practices.

Both Clinton and Hosokawa stressed, however, that the trade disagreement does not sour the otherwise favourable US-Japan relationship, and Clinton praised steps taken by Hosokawa toward political and economic reform at home.

They also pledged joint efforts to ensure that North Korea is not developing nuclear weapons, and Hosokawa said Tokyo would support prospective United Nations sanctions against North Korea if it fails to allow international inspection of its nuclear facilities.

On the trade talks, the leaders could not reach agreement in any of the four areas that have stymied negotiators since last summer's "framework" accord that was inten-

ded to resolve old trade disagreements and launch a new US-Japan economic partnership.

Both sides said they support a bigger market share for foreign imports of autos and auto parts, medical equipment, telecommunications and insurance.

But Tokyo remained opposed to US insistence on specific "qualitative or quantitative" measurements to determine how well US goods are penetrating the Japanese markets.

Hosokawa suggested future talks after both sides had a chance to "clear our head for a while."

US officials portrayed the summit as a turning point in US-Japanese relations, with the two nations agreeing not to paper over differences but sometimes to disagree as friends.

They declined to give any timetable for retaliatory steps.

### 'Weak oil price not hurting Iran's economy'

TEHRAN, Feb 12: Iranian President Akbar Hashemi Rafsanjani said weak oil prices had not caused much damage to the Iranian economy, reports Reuters.

"Our enemies put pressure on our sources of revenue. By lowering oil prices they want to damage us."

"We have developed the infrastructure so that the fall of oil prices cannot cause considerable damage to us and to the revolution," he told a crowd celebrating the 15th anniversary of the Islamic Revolution.

Rafsanjani said there was a time when Iran needed to sell oil "to obtain all our needed commodities. But now more than 90 per cent of our consumer goods are made domestically."

The Iranian parliament, taking account of a fall in oil prices in 1993, in late January approved next year's budget revenues at 17.7 billion, a 10 per cent cut from government projections.

## Britain's trade deficit widens to \$ 1.52b

LONDON, Feb 12: Britain's trade deficit widened to 1.04 billion pounds (1.52 billion US dollar) in November from 703 million pounds (1.03 billion dollar) in October, the Central Statistical Office said on Friday, reports Reuters.

The big gap between what Britain imports and exports has proved highly sensitive for markets and policy makers in recent years but most economists were relaxed about November's figures and said the underlying trend this year pointed to improvement.

The October deficit was raised sharply from the original 578 million pounds (844 million dollars) due to a revised estimate of the deficit on trade with other European Union countries that month.

Excluding oil and erratic items — ships, aircraft, gems and silver — the November shortfall rose to 1.42 billion pounds (2.07 billion dollars) from 1.21 billion (1.77 billion dollars).

The value of exports in November fell 5.5 per cent

compared with October, while imports fell 2.2 per cent.

Britain's deficit, with the rest of the world was 11.2 billion pounds (16.4 billion) for the first 11 months of 1993.

Financial markets had been expecting a November gap of about 900 million pounds (1.3 billion).

Ruth Lea of Lehman Brothers in London said deficits of this size should not hurt market sentiment, for the moment at least.

"If for some reasons they start to widen badly, that could change but we're not expecting any big deterioration," she said.

Jeremy Hawkins of Bank America in London said the trade figures were "a potential problem but not pressing yet."

The government has said that new data-gathering procedures covering EU trade are functioning much better than when they were introduced in January 1993 but economists are still sceptical about the quality of the figures.

### Mathur takes over as chief of Air India

BOMBAY, Feb 12: A professional pilot took over as Air India's new chief executive Thursday, putting modernisation and passenger comfort at that top of his priority list, reports AFP.

Durga S Mathur, who joined the international carrier in 1959 and has clocked more than 14,000 flying hours, replaced Yogesh Dèveshwar, who quit this week to join the Calcutta-based cigarette and hotel giant ITC Ltd.

Mathur is only the second pilot to rise from the ranks to the position of Chairman and Managing Director of Air India, currently one of the world's most profitable airlines.

He told reporters here that his priority would be to modernise the airline's in-flight and ground facilities and ensure that passengers travel in comfort.

Mathur was once secretary of the Indian Pilots' Guild, a union. "I have seen both sides and I have always worked for the company's welfare," he said.

Mathur's predecessor Deveswar said he had stepped down after steering the international carrier out of a recession and seeing the airline post hefty profits.

### Glaxo rewards Feni police

Glaxo Bangladesh Ltd has awarded Feni police in recognition of their good work, says a press release.

The former Officer in Charge and his team of the Feni police station recovered stolen goods of the company.

The company as a token of appreciation of their splendid work gave Mushtaq Ahmed, former OC and others a cash award of Taka 20,000.

The award has already been handed over to the recipients at a simple ceremony at Feni police station on Wednesday. The Superintendent of Police was present on the occasion.

## Southeast Asian economies still dynamic in world

MANILA, Feb 12: Southeast Asia remains the world's most economically dynamic region, but governments in the region are getting more worried the boom may turn to a bust as a global competition for trade and investment continues to heat up, reports IPS.

Free trade proponents now say unless the Association of South-East Asian Nations (ASEAN) acts quickly, it may be left behind in the race for foreign investments by other fast-growing countries like China or Vietnam and rapidly liberalising Latin America.

This has prompted some ASEAN members to think of speeding up their efforts to have a free trade area in the region — although such a move is bound to face fierce opposition from business interests that already fear being swamped by foreign competition let in by the current programme of gradual tariff cuts.

"If we can make the tariff cuts faster, why not," said Dato Seri Rafidah Aziz, Malaysia's Minister of International Trade and Industry (MITI), who recently led a Malaysian business delegation on a visit to Manila.

"If by 1999 for example we reduce tariff rates to two or three per cent, why wait for another eight years before cutting them to zero?" she added.

Rafidah said she was consulting her five ASEAN counterparts on this proposal and that the response from Singapore, the Philippines and Brunei has been positive. She had yet to meet with Indonesian and Thai officials.

Under the ASEAN Free Trade Area (AFTA) pact, ASEAN countries are supposed to cut tariff rates on manufactured goods and proceeded agricultural goods to no more than five per cent over the next five years.

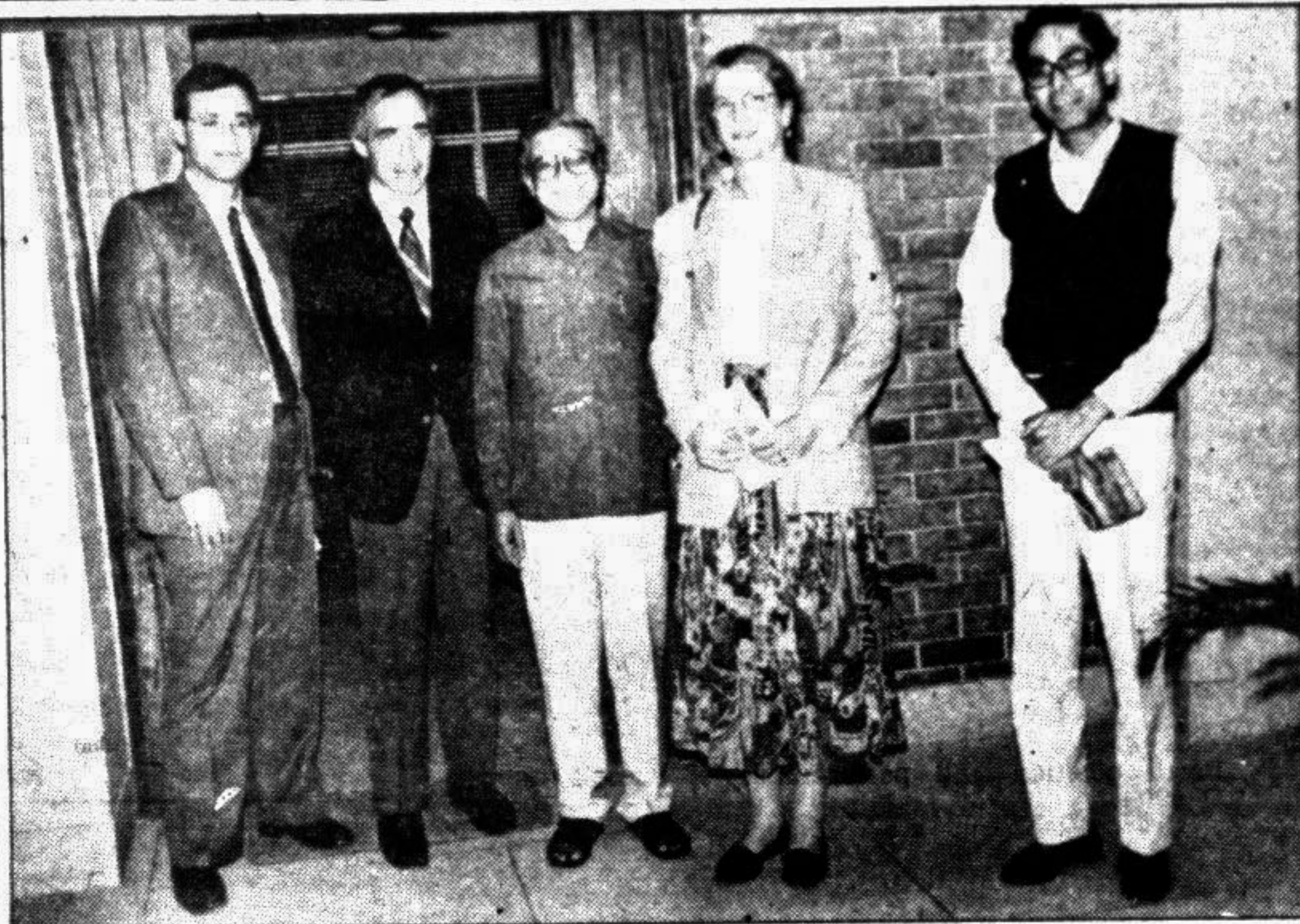
Known as the Common

Effective Tariffs Programme (CEPT), that scheme was finally launched in January after suffering a year-long delay. But even before its formal launch, some analysts were already warning that fast-moving developments were overtaking ASEAN.

One of the earliest to openly sound the alarm was Alan Ortiz, a senior security adviser of the Philippines government. In business briefings last year, Ortiz said AFTA was rapidly being made irrelevant by China's enormous success in attracting huge amounts of foreign investment.

He repeated his warning recently: "We either accelerate AFTA or we drop it. AFTA has to be a fact within this century."

Ashok Nath, publisher of the monthly AFTA monitor that specialises on ASEAN economic trends, agreed. "The 15-year schedule was better than nothing," he said.



The Assistant Administrator of USAID Margaret Carpenter and other USAID officials called on the Grameen Bank Managing Director Professor Muhammad Yunus and Deputy Managing Director Muhammad Khalid Shams in the city recently. The team expressed interest in the Grameen Bank and discussed various development issues.

## 'Arabs need to map out strategy for economic ties with Israel'

ABU DHABI, Feb 12: Arab states should map out a strategy to prepare for economic cooperation with Israel when they reach a comprehensive peace settlement, a top Arab economic official said in a magazine interview Friday, reports AFP.

Jassim Al-Manai, chairman-designate of the Arab Monetary Fund (AMF), said economic ties hinged on the political relationship between the two sides after they end hostility. "It is difficult now to speculate about the role which Israel will play or how Arab countries will build their relations with Israel and what is the shape of this relationship. But such a relationship should be satisfactory for all parties," he told the

United Arab Emirates magazine Al-Shuruf.

All this depends on the strategy of Arab countries after the establishment of peace and their ability to benefit from that relationship," he added.

"There should be a new Arab concept to work from now to benefit from the coming state in coordination with the Arab League," Arabs have voiced fears economic integration with Israel will enable it to dominate their economies given its superior industrial power at a time when they are striving to boost their industries to tackle their economic woes.

Israeli Foreign Minister Shimon Peres has proposed a Middle-East common market

as a measure to boost confidence among the parties involved and achieve prosperity in the volatile but rich region.

Talk about a common market intensified after Israel and Palestinians signed an autonomy agreement in Washington on September 13. Syria and Jordan have also been involved in peace negotiations with the Israelis.

But despite the progress, Arab governments have resisted pressure from the United States and its western allies to end a 40-year-old economic boycott against the Jewish state, arguing the ban would be lifted only when Israel withdraws from the occupied territories.

## How to boost life insurance business

Abu Ahmed  
Guest Columnist

their surplus income? They usually keep the money with the banks on interest, some buy government sponsored saving certificates, purchase real estate properties, and more clever ones go to stock market investment. These investments are seen in a competitive framework alongside the investment in life insurance schemes. One trump card the sellers of insurance policy have is, no other scheme of saving or risk taking-venture covers the risk at the demise of the policy holder as the life insurance policy can do. True, but this means someone is to buy the insurance policy only if he wants to pass over its benefits to his heirs. These people do not take the policies easily. Very few people are there who want to buy insurance policy just to benefit his heirs. The main purpose of an insurance buyer is that he wants to earn a competitive earning from the insurance scheme also. The bitter enemy in this case is inflation. Inflation erodes the value of the future income an insurance policy is supposed to offer to its holder. If a policy buyer sees that at the end he is not to receive the money he paid as premiums in real term, no amount of argument will convince him to buy a life in-

surance policy. In fact, this is the problem that remained in life insurance business for many years in Bangladesh. Can the life insurance companies pay earnings compensating inflation rate? Theoretically, they can, but practically in Bangladesh they can not. The erosion of the value of money because of inflation remained a vexed question to the policy sellers. They could not come up with a satisfactory answer in this regard, so they lost many prospective customers. The amount of business the life insurance companies is supposed to do in Bangladesh depends on many other factors among which the income and education level of the people, attitude toward risk, the expectation to earn and save money, and the confidence they feel about the insurance policies are important. Though other sectors of the Bangladesh economy are making progress, though slowly, the insurance sector does not seem to be moving. People largely remained indifferent to it. Whereas, insurance activity is also an important sub-sector of the financial sector. When asked why insurance compa-

nies can not pay more than average interest rate-return in the economy, the latter say that the govt tied their investment options, such as they can not invest in the risky capital market instruments. Almost eighty percent of their premium-money they must invest either in the govt's saving certificates, or govt-approved investment schemes, or what govt calls, in approved securities. These investments pay just average returns, and there is no way the insurance companies can pay more than an average return to the policy-holders. These restrictions on investment are bad for a healthy growth of insurance business. When insurance companies can not compete with their funds in investment markets they can not be blamed for not earning enough. Naturally, the squeeze tells on the policy buyers who feel uncomfortable once they bought them.

What is the logic of restricting insurance premium money investment? One and the only logic can be, to safeguard the security of premium-money of the policy holders. If the insurance companies are al-

lowed to invest in the risky areas, some of them may collapse. Then what will happen to the claims of the policy holders? In order to safeguard the interest of the policy holders, the govt restricted the investment of premium money. But that also restricted the activities of the life insurance companies. In the absence of a scope for taking risk, the insurance companies 'simply keep their collected premiums in the schemes designated by the Govt, and do practically nothing else. This practice limited the growth of insurance business.

Insurance as a business, if it is to be dynamic, must be allowed to take risk in investment. Question can be raised as to how to safeguard the security of policy holders' premium money. But this problem can be tackled in some other ways. One option in this regard can be the raising of equity capital of insurance companies proportionately to the premium money they receive. Also, the govt can order the companies to keep a portion of their premium money with it as security. In addition, close supervision and indepth auditing system can be installed as regards the uses of premium money. Also, insurance companies can be in-

structed to display and publish publicly what they are doing with the premiums they collected from the policy holders.

The present insurance act is an out-dated one. Our neighbours already changed the colonial vintage insurance act, and were able to popularise insurance schemes among urban middle class. Very few insurance companies in Bangladesh went public till now by selling shares to the people. They are asked to do so immediately. It is heard that there are many other applications now remained pending with the govt for permission to float new insurance companies. Perhaps, insurance is thought to be an easy business in Bangladesh. In the present form it is an easy business indeed. But when the act will be changed, and restrictions will be taken off from investment with premium money this will not remain as an easy business.

The govt policy should be directed towards making the operational side of this business easy and at the same time not to keep it in the present form by upholding a competitive system.

Let the insurance as a business go ahead alongside other sectors of the economy, such as money and capital markets, and contribute its mite to the country's economic development.

### ADB investments, loans increase by 3.2pc in '93

MANILA, Feb 12: The Asian Development Bank (ADB) said here Friday that loans and investments extended in 1993 rose to a record 5.3 billion dollars, up 3.2 per cent from 1992, reports AFP.

Government guaranteed loans to the private sector remained at the same level of about five billion dollars while private sector loans, without government guarantees rose to 241 million dollars, up 79 per cent.

Direct equity investment amounted to 23 million dollars, up 60.2 per cent from 1992, the bank said in a statement.

Indonesia was the biggest borrower last year, getting 1.3 billion dollars while China was second with one billion. India received the biggest single loan for a gas project, at 300 million dollars.

Last week, ADB President Mitsuo Sato admitted that the bank had been more anxious to meet targets for the volume of loans approved, than in ensuring that the project really succeeded in reducing poverty.

He vowed a "spring cleaning" of such flawed projects adding that more attention would be paid to improving the quality of the loans.



The recipients of the cash award seen with the SP, Feni and the officials of Glaxo Bangladesh.