

LABELS

WOVEN SATIN TAFFETA, TAFFETA IN BLACK
GROUND, PRINTED LABELS & HANGTAG

Do call us

LABELS FOR LESS LTD.

PHONE: 861151-4

The Daily Star BUSINESS

DHAKA WEDNESDAY, APRIL 6, 1994

First with the news,

The Daily Star

Best with the views

Expand trade among SAARC nations: Mostafiz

Foreign Minister A S M Mostafizur Rahman Monday underscored the need for expanding regional trade in South Asia saying it could be a key to higher growth rates in each of the SAARC member countries, reports UNB.

He said trade could be used as a powerful tool for the betterment of regional living standards.

The Foreign Minister was addressing a seminar on Harmony and Confidence Building in South Asia in Dhaka yesterday. The 3-day seminar was jointly organised by the Bangladesh Peace Council and World Peace Council.

"Expanded regional trade would also attract investment and financial flow from outside the region and create a virtuous circle of growth and prosperity," he said.

Mostafiz said the 7th SAARC summit in Dhaka had taken momentous steps forward that brought the nations of the region closer to the ideals of peace, development and harmony in South Asia.

The first of these steps was the signing of the SAPTA, the South Asian Preferential Trade Arrangement, through which the SAARC countries have established a negotiating framework for reciprocal trade preferences.

The Dhaka summit also took a major initiative in approving and adopting the report of the Independent Commission on Poverty Alleviation, he pointed out. "This is a landmark report making a regional consensus on the central problem of poverty in South Asia."

Mannan lauds private sector steps for advanced technology

State Minister for Science and Technology Prof. M A Mannan said that government has adopted a set of trade industrial and scientific policy reforms to take the benefits of new development in computer and telecommunications to the people, reports UNB.

The State Minister was inaugurating a seminar on "Emerging Trends in Communications" organised by International Business Machine (IBM) Bangladesh and Business Communication and Automation Ltd of Bangladesh in a local hotel here yesterday (Tuesday).

He said computer and communications are becoming synonymous in today's world of technology and science. Prof Mannan also appreciated the private sector initiatives for introducing advanced technology in the field of telecommunication.

Dr Jim K Omura, Founder and Chairman of Cylinc Corporation, addressed the seminar as the key-note speaker. Adam Smith back in 1776 argued that managers deal with public-fund rather than their own and therefore in his own words "negligence and profusion must always prevail, more or less, in the management of the affairs of such a company (a joint stock company)."

Managers (including directors) of a stock exchange listed firm can be considered as the agents, and the shareholders the principals (although in the Dhaka Stock Exchange listed firms, directors should better be called as both the agents and the principals because they usually hold a significant share of the companies' capital). The problem is that the agent and the principal may be at variance with each other. For example, (1) the principal does not directly take part in management decision making and control (i.e., ownership is separated from control), (2) there is information asymmetry between the agent and the principal, in fact the principal is ignorant of many details of the agents' activity, (3) the agent is generally assumed to be a risk-averse and the principal to be a risk-seeker or risk-neutral, (4) the agent might have a shorter duration with the organization than the principal, (5) the agent's earnings are fixed (in the absence of incentive payments) while the principal is the residual claimant.

From these differential positions there is scope for the agent to satisfy his own self-interest at the cost of the principal's interest. Particularly, if the principal cannot directly observe the agent's effort, or perfectly infer it from the firm's information system, then the agent may have an in-

Shrimp output may rise

Star Report

The average per acre production under the Semi-intensive Shrimp Culture Project of the government was 1500 kg during 1993 while the output is expected to be increased further through this improved system of shrimp cultivation.

According to authorities concerned, the growth rate of production under semi-intensive cultivation is very much encouraging since a maximum of 80 kg of shrimps can be produced in one acre using traditional system.

The project undertaken by the Ministry of Industries, is being implemented by the Bangladesh Small and Cottage Industries Corporation (BSCIC) from January last year. The government has sanctioned Tk five crore for the pilot phase of the project that ends in June 1995.

The target of the pilot phase is to bring 500 ponds, each having a size of one acre, under the semi-intensive shrimp cultivation. Coastal areas of five districts — Khulna, Satkhira, Bagerhat, Chittagong and Cox's Bazar — have been selected for implementing the project. A total of 142 acres in Khulna, Satkhira and Cox's Bazar have already been brought under this project last year where 1500 kgs of shrimps were produced in each acre. The authorities are expecting to achieve the target of the project's pilot phase within this year.

"Since we are getting good response from the entrepreneurs, we would like to continue the project after the end of pilot phase and the project area will be expanded further," said an official source.

Under this project, the BSCIC is supplying equipment for shrimp culture to cultivators on credit and providing technical and infrastructural assistance to them. The cultivators will have to repay the loan in instalments with 8 per cent interest.

About 2.70 lakh acres of land in the coastal districts are now under shrimp cultivation where 20 thousand tonnes of shrimp are produced annually under traditional system. Experts believe that with semi-intensive cultivation method, about 4.05 lakh tonnes of shrimp can be produced through which foreign exchange earnings can be increased substantially.

The Energy Minister said the surplus demand of electricity in the country is over 300 mw every year. The cost per mw of electricity from production to distribution stands at about Tk 8 crore.

"Every year, we have to invest around Tk 2400 crore in power sector to meet the surplus demand of electricity in the country."

About the reduction in system loss, the minister said that system loss in power sector was over 42 per cent when the present government came to power. This has been brought down to 34 per cent in 1992-93 but rose to 35 per cent last month.

The inaugural session of the conference was presided over by BWPEA President Liakat Hossain. It was addressed, among others, by DESA Chairman Aminul Islam Chowdhury, BWPEA Senior Vice-President Iskandar Azam and General Secretary Shahid Ahmed.

A 3-day workshop on 'credit risk analysis and decision making' ended at the Bangladesh Institute of Bank Management (BIBM) in the city yesterday, says a press release.

The workshop was conducted for the first time with a view to familiarising the participants with the concept of credit risk.

The workshop contents included, inter alia, preparation, interpretation and application of financial spread sheet and credit scoring system, identification and categories of risk factors.

A H M Nurul Islam Choudhury, Director General, BIBM, presided over the concluding session and gave away the certificates to the participants.

Executives from different banks and financial institutions participated in the workshop.

Country's demand of electricity will rise to at least 4,000 megawatt in 2000 as against the present peak hour demand of about 1,800 mw, reports UNB.

Electricity need to rise by 2200mw in 2000

Country's demand of electricity will rise to at least 4,000 megawatt in 2000 as against the present peak hour demand of about 1,800 mw, reports UNB.

This was stated by Energy and Mineral Resources Minister Dr. Khandaker Mosharrar Hossain while inaugurating the Annual Conference of Bangladesh Water and Power Engineers' Association (BWPEA) at the Engineers' Institute in the city Monday.

Giving details of power demand and supply network, Dr Mosharrar said the country is now producing about 1,900 mw of electricity against the installed capacity of 2,608 mw.

At present, country's electricity demand in peak hour is about 1800 mw although the demand remains below 1,300 mw at other times.

The Energy Minister said the surplus demand of electricity in the country is over 300 mw every year. The cost per mw of electricity from production to distribution stands at about Tk 8 crore.

"Every year, we have to invest around Tk 2400 crore in power sector to meet the surplus demand of electricity in the country."

About the reduction in system loss, the minister said that system loss in power sector was over 42 per cent when the present government came to power. This has been brought down to 34 per cent in 1992-93 but rose to 35 per cent last month.

The inaugural session of the conference was presided over by BWPEA President Liakat Hossain. It was addressed, among others, by DESA Chairman Aminul Islam Chowdhury, BWPEA Senior Vice-President Iskandar Azam and General Secretary Shahid Ahmed.

A 3-day workshop on 'credit risk analysis and decision making' ended at the Bangladesh Institute of Bank Management (BIBM) in the city yesterday, says a press release.

The workshop was conducted for the first time with a view to familiarising the participants with the concept of credit risk.

The workshop contents included, inter alia, preparation, interpretation and application of financial spread sheet and credit scoring system, identification and categories of risk factors.

A H M Nurul Islam Choudhury, Director General, BIBM, presided over the concluding session and gave away the certificates to the participants.

Executives from different banks and financial institutions participated in the workshop.

Country's demand of electricity will rise to at least 4,000 megawatt in 2000 as against the present peak hour demand of about 1,800 mw, reports UNB.

This was stated by Energy and Mineral Resources Minister Dr. Khandaker Mosharrar Hossain while inaugurating the Annual Conference of Bangladesh Water and Power Engineers' Association (BWPEA) at the Engineers' Institute in the city Monday.

Giving details of power demand and supply network, Dr Mosharrar said the country is now producing about 1,900 mw of electricity against the installed capacity of 2,608 mw.

At present, country's electricity demand in peak hour is about 1800 mw although the demand remains below 1,300 mw at other times.

The Energy Minister said the surplus demand of electricity in the country is over 300 mw every year. The cost per mw of electricity from production to distribution stands at about Tk 8 crore.

US interest rates will come down, assures Clinton

CLEVELAND, Ohio, Apr 5: President Clinton sought yesterday to calm public fears about the stock market drop, saying the economy was healthy and interest rates, while too high, would turn down again, reports Reuter.

"Interest rates are still lower than they were at the bottom of the recession," Clinton said in a television interview. "I think they're too high. I think they'll come back down."

"I think there was an over-reaction in the market when the Federal Reserve raised the short-term interest rates a little bit," he said in the interview here with an NBC affiliate.

"And I think a lot of people have thought for sometime that the stock market is somewhat overvalued."

The president and his economic advisers are trying to play down the importance of the recent rise in interest rates and drop in stock market prices and instead focus public attention on the nation's good economic performance.

"It's inevitable that some people would take their money out of the stock market and put it back into more certain investments as soon as interest rates start to go up," he said.

He said Americans should not overreact to what the stock market is doing and that the underlying economy is sound, with plenty of investment, low inflation and rapid job creation.

"I think for all those reasons, I would encourage the

United Nations Development Programme will provide nearly 1 million dollar to help upgrade Myanmar's state railway system, the agency announced Tuesday, reports AP.

The project, to be carried out by the Belgian company Transurb Consult, will include technical training for railway officials and the redesign of a workshop to handle diesel locomotives. The workshop, in the Yangon suburb of Insein, a previously specialized in the maintenance of steam engines.

The UN development programme is providing 872,000 dollar for the project while the Myanmar government is to supply 991,000 kyats (161,000 dollar).

The railway is the preferred mode of transport for many Burmese because of its low cost.

White House Economic Adviser Laura Tyson stressed the volatile nature of financial markets in an interview with CNN, saying it was often difficult to explain what they do on a day-to-day basis.

"We tend to focus very much here on the fundamentals of the economy — the growth rate, the inflation rate — and we continue to be very pleased with the performance the economy is putting in," she said.

China to make assault on world electronics market

BEIJING, Apr 4: China is determined to build several giant conglomerates to spearhead the country's assault on the global electronics market in the next century, a report said Sunday, reports AFP.

According to Ministry of electronics official Lin Yuanfang, the industry will receive priority government investment and favourable tax breaks on land use in a bid to nudge several Chinese manufacturers onto the list of the world's 100 top electronics companies by 2000.

"This is a major move to improve domestic companies' global competitiveness and deal with the business challenges that will follow China's re-entry into GATT," said Lin, who is Deputy Director of the Ministry's Department of Economic Cooperation and Structural Reform.

US interest rates will come down, assures Clinton

CLEVELAND, Ohio, Apr 5: President Clinton sought yesterday to calm public fears about the stock market drop, saying the economy was healthy and interest rates, while too high, would turn down again, reports Reuter.

"Interest rates are still lower than they were at the bottom of the recession," Clinton said in a television interview. "I think they're too high. I think they'll come back down."

"I think there was an over-reaction in the market when the Federal Reserve raised the short-term interest rates a little bit," he said in the interview here with an NBC affiliate.

"And I think a lot of people have thought for sometime that the stock market is somewhat overvalued."

The president and his economic advisers are trying to play down the importance of the recent rise in interest rates and drop in stock market prices and instead focus public attention on the nation's good economic performance.

"It's inevitable that some people would take their money out of the stock market and put it back into more certain investments as soon as interest rates start to go up," he said.

He said Americans should not overreact to what the stock market is doing and that the underlying economy is sound, with plenty of investment, low inflation and rapid job creation.

"I think for all those reasons, I would encourage the

United Nations Development Programme will provide nearly 1 million dollar to help upgrade Myanmar's state railway system, the agency announced Tuesday, reports AP.

The project, to be carried out by the Belgian company Transurb Consult, will include technical training for railway officials and the redesign of a workshop to handle diesel locomotives. The workshop, in the Yangon suburb of Insein, a previously specialized in the maintenance of steam engines.

The UN development programme is providing 872,000 dollar for the project while the Myanmar government is to supply 991,000 kyats (161,000 dollar).

The railway is the preferred mode of transport for many Burmese because of its low cost.

White House Economic Adviser Laura Tyson stressed the volatile nature of financial markets in an interview with CNN, saying it was often difficult to explain what they do on a day-to-day basis.

"We tend to focus very much here on the fundamentals of the economy — the growth rate, the inflation rate — and we continue to be very pleased with the performance the economy is putting in," she said.

China to make assault on world electronics market

BEIJING, Apr 4: China is determined to build several giant conglomerates to spearhead the country's assault on the global electronics market in the next century, a report said Sunday, reports AFP.

According to Ministry of electronics official Lin Yuanfang, the industry will receive priority government investment and favourable tax breaks on land use in a bid to nudge several Chinese manufacturers onto the list of the world's 100 top electronics companies by 2000.

White House Economic Adviser Laura Tyson stressed the volatile nature of financial markets in an interview with CNN, saying it was often difficult to explain what they do on a day-to-day basis.

"We tend to focus very much here on the fundamentals of the economy — the growth rate, the inflation rate — and we continue to be very pleased with the performance the economy is putting in," she said.

China to make assault on world electronics market

BEIJING, Apr 4: China is determined to build several giant conglomerates to spearhead the country's assault on the global electronics market in the next century, a report said Sunday, reports AFP.

According to Ministry of electronics official Lin Yuanfang, the industry will receive priority government investment and favourable tax breaks on land use in a bid to nudge several Chinese manufacturers onto the list of the world's 100 top electronics companies by 2000.

"This is a major move to improve domestic companies' global competitiveness and deal with the business challenges that will follow China's re-entry into GATT," said Lin, who is Deputy Director of the Ministry's Department of Economic Cooperation and Structural Reform.

The ministry has listed eight firms — each with revenues last year of more than two billion yuan — which it hopes to nurture into future electronics giants.

China to make assault on world electronics market

BEIJING, Apr 4: China is determined to build several giant conglomerates to spearhead the country's assault on the global electronics market in the next century, a report said Sunday, reports AFP.

According to Ministry of electronics official Lin Yuanfang, the industry will receive priority government investment and favourable tax breaks on land use in a bid to nudge several Chinese manufacturers onto the list of the world's 100 top electronics companies by 2000.

"This is a major move to improve domestic companies' global competitiveness and deal with the business challenges that will follow China's re-entry into GATT," said Lin, who is Deputy Director of the Ministry's Department of Economic Cooperation and Structural Reform.

The ministry has listed eight firms — each with revenues last year of more than two billion yuan — which it hopes to nurture into future electronics giants.

China to make assault on world electronics market

BEIJING, Apr 4: China is determined to build several giant conglomerates to spearhead the country's assault on the global electronics market in the next century, a report said Sunday, reports AFP.

According to Ministry of electronics official Lin Yuanfang, the industry will receive priority government investment and favourable tax breaks on land use in a bid to nudge several Chinese manufacturers onto the list of the world's 100 top electronics companies by 2000.

"This is a major move to improve domestic companies' global competitiveness and deal with the business challenges that will follow China's re-entry into GATT," said Lin, who is Deputy Director of the Ministry's Department of Economic Cooperation and Structural Reform.

The ministry has listed eight firms — each with revenues last year of more than two billion yuan — which it hopes to nurture into future electronics giants.

Biggest trade pact set for signing next week

PARIS, Apr 5: More than 120 countries are to gather in Morocco next week to sign the world's most comprehensive trade liberalisation agreement since GATT came into being in the aftermath of World War II, reports AFP.

The new pact encompasses for the first time services, intellectual property, agriculture and textiles. The signing is to take place in Marrakech between April 12 and 15.

The agreement is the outcome of seven years — three more than originally intended — of marathon negotiations known as the Uruguay Round, since they began there at Punta Del Este in 1986. They ended in Geneva last December, marked right up to the end by clashes between the United States and the European Community (European Union).

GATT was negotiated in 1947 as a temporary General Agreement on Tariffs and Trade and came into effect on January 1, 1948, with the aim

of promoting freer trade and non-discrimination among trading partners. Now, it is being turned into a permanent World Trade Organisation to become a mainstay of international economic relations alongside the World Bank and the International Monetary Fund.

The new body was not on the drawing-board at Punta Del Este. Neither were the cuts in customs tariffs of at least 40 per cent which have been agreed to, since the original target was a reduction of just one-third.

GATT's half-century of existence has seen customs duties go steadily down from 40 to five per cent on average.

Consumption should be boosted as a result, consolidating economic upturn in Europe and Japan and growth in America.

Once fully operative, the new arrangements will bring extra worldwide growth of between 230 billion and 270 billion dollars over a decade.

fluctuations in demand and supply, and variation in discount rates that affect share prices do not provide reliable feedback on directors' performance. Therefore, it is a noisy measure of performance.

Another problem with return on firm shares as a measure of directors' performance is that firm share prices move with the market irrespective of performance of the firm concerned. Market-adjusted return on shares (firm share price performance relative to the all-share price index) is, therefore, considered a measure of directors' own performance though it is accepted that market-adjusted returns suffer from the same problem of market uncertainty. But the strength of this measure of performance is that measuring managerial performance relative to the performance of other firms in the same industry or market partially insulates directors from industry and market shocks.

Return on equity (accounting measure of performance) is also widely considered as a measure of organization performance. The Financial Analysts and loan providers use accounting information as a measure of firm performance. Organization incentive schemes such as bonus schemes and profit-sharing schemes are usually based on accounting-based measures of performance such as return on equity, return on capital-employment, and earning per share. Such historical accounting measures may contain information that is valuable for

performance evaluation purposes beyond that included in share returns. There are, however, statistical drawbacks associated with the use of reported profit which stem from both its determination and behaviour. Profit measurement is conditioned by a range of accounting options which are less uniform. The depreciation policy, inventory valuation, and accounting for intangible assets offer prominent examples.

Furthermore, an examination of the year to year changes in reported corporate profits vis-a-vis sales changes indicates that the former measure is much more sensitive to short-run economic influences than is the latter, and is consequently more volatile. Besides these statistical problems, the use of reported profit for any particular year as the index of corporate achievement may conflict with long-run maximization strategies by management. For example, a cutback in expenditures for the proper maintenance of plant and equipment can produce very favourable current profit but at the sacrifice of subsequent earnings. Furthermore, accounting-based performance measures are subject to managerial manipulation. Thus with a larger proportion of directors' remuneration becoming dependent upon accounting-based measures of performance, the incentives for directors to engage in such non-functional behaviour are likely to be intensified.

Thus it appears that though

BIBM workshop ends

A 3-day workshop on 'credit risk analysis and decision making' ended at the Bangladesh Institute of Bank Management (BIBM) in the city yesterday, says a press release.

The workshop was conducted for the first time with a view to familiarising the participants with the concept of credit risk.

The workshop contents included, inter alia, preparation, interpretation and application of financial spread sheet and credit scoring system, identification and categories of risk factors.

A H M Nurul Islam Choudhury, Director General, BIBM, presided over the concluding session and gave away the certificates to the participants.

Executives from different banks and financial institutions participated in the workshop.

Country's demand of electricity will rise to at least 4,000 megawatt in 2000 as against the present peak hour demand of about 1,800 mw, reports UNB.

This was stated by Energy and Mineral Resources Minister Dr. Khandaker Mosharrar Hossain while inaugurating the Annual Conference of Bangladesh Water and Power Engineers' Association (BWPEA) at the Engineers' Institute in the city Monday.

Giving details of power demand and supply network, Dr Mosharrar said the country is now producing about 1,900 mw of electricity against the installed capacity of 2,608 mw.

At present, country's electricity demand in peak hour is about 1800 mw although the demand remains below 1,300 mw at other times.

The Energy Minister said the surplus demand of electricity in the country is over 300 mw every year. The cost per mw of electricity from production to distribution stands at about Tk 8 crore.

PM to open BATEXPO '94 on May 5

The sixth exposition on textile and apparel will begin in the city on May 5 aiming at highlighting the potentials of the country's garments sector which is now experiencing a downward trend in export earning, reports UNB.

The three-day Bangladesh Textile and Apparel Exposition (BATEXPO '94) is expected to be inaugurated by Prime Minister Khaleda Zia at Sonargaon Hotel.

Addressing a press conference here today, President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Redwan Ahmed, MP said the exposition is expected to gear up the industry with the participation of buyers from all over the world.

BATEXPO, the only international fair hosted by BGMEA, will immensely benefit the country's export-oriented garments sector which is the largest foreign exchange earner, he said.

The garments industry fetched 26 million US dollars directly through the last year's exposition. Its total export

earning is 1.8 billion US dollars in the last calendar year against the target of two billion US dollars.

Dwelling on the problems faced by 1,691 industries of the sector which employed about 800,000 people, the BGMEA President said that the industry is experiencing a downward trend of growth rate in export earning mainly due to recession in the world market.

Shortage of local fabric, price hike of cotton and bureaucratic bottlenecks in both importing raw materials and exporting finished products are hampering the growth rates, he told the newsmen.

BGMEA vice presidents M A Taher and S M Fazlul Haq, treasurer Junnat Ali Mia and executive committee member Maj (ret'd) Sayeed Eskander and garments factory owners Khalilur Rahman Chowdhury, Sirajul Haq and Mostafa Golar Quddus were present at the press conference held at BGMEA office.

and USA document some positive relationship between executive remuneration (typically the Chief Executive Officer's salary and bonus) and the corporate measures of performance although the relationship is weak. Corporate management particularly the directors of these countries were under fierce criticism from the public during 1990-92 for the weak relationship between managerial remuneration and corporate performance. Whereas, in Bangladesh even when there is no relationship between directors' remuneration and corporate performance, shareholders both institutional and individual appear to be silent about this important corporate issue. It is realized that adequate control mechanisms are necessary to reduce the divergence of interest between management and shareholders.

Corporate governance and monitoring is one of the mechanisms to mitigate such divergence. Corporate governance and monitoring is generally concerned with the composition of the Board of Directors, the duties and responsibilities of executive and non-executive directors, regular monitoring by shareholders, and the detailed disclosure of company information that are material for decision making by interested parties.

Western evidence suggests that corporate governance and monitoring by institutional shareholders helps in disciplining managers' opportunistic behaviour.

The writer is an Associate Professor of Accounting, Dhaka University.