

Import of mango sapling from Pakistan, India likely

Plans are underway to import mango saplings from Pakistan and India and that of Durian, a jackfruit-like fruit, from Thailand for planting under the upcoming afforestation programme, reports UNB.

This was disclosed by Environment and Forest Minister Akbar Hossain while speaking as chief guest at a seminar on "Social Forestry and Role of NGOs" at the United Nations Information Centre in the city yesterday morning.

Bangladesh 2000, a voluntary organisation, arranged the seminar in cooperation with the UNIC in observance of the World Environment Day.

The minister urged the NGOs as well as the forest department to plant trees in a planned manner to increase forests and protect country's environment. "Make model planting of trees."

Chief Conservator of Forests Muzammel Hussain presented the keynote paper at the seminar, which was also addressed by Environment and Forest Secretary Abdullah Maroon Pasha, UNDP Resident Representative Eimi Watanabe.

Dr A Atiq Rahman of the Bangladesh Centre for Advanced Studies, Professor of the Department of Botany of Dhaka University Dr A K M Nazrul Islam and District Government of Lions District 315-B11 Ln JL Bhowmik.

"Some places are favourable for planting some specific types of trees... and so plant shal, lichi or mango trees where these are suitable," the Forest Minister told the afforestation activists.

He told the officials of Forest Department to update the "Katcha-Mitha" variety mango by developing tissue culture to save it from extinction.

The minister said he had asked the research institutions to find ways and means of increasing the date juice of Jessore. He emphasised quality of seedlings and qualities of genes of plant for better output from the trees planted.

The NGOs have a greater role to play as they have an important participatory role in the social afforestation programme, he said.

"Development of forestry is not only for tree resources de-

velopment and environmental improvement but also for strengthening the economic structure of the country," Akbar said.

He called upon the NGOs to plant trees on "long rotation" on one side and "short rotation" on another side.

Environment and Forest Secretary Abdullah Haroon Pasha said village forestry is very important as most firewood and timber come from it.

Highlighting government's plantation programme, he said a three-month plantation and maintenance programme will commence July 15.

He said the hazardous toxic wastes were being dumped in the waters of the poor countries, posing threat to the environment.

UNDP Resident Representative Eimi Watanabe said this year's theme for the World Environment Day had consistency with the International Year of the Family and global family had responsibilities to nurture the environment.

The essence of the theme of the World Environment Day

— "One Earth One Family" — is also important for the future generation of the globe.

"Partnership between government and non-government sectors in social forestry plays important critical role in making the social afforestation programme a success," she said.

Emphasising the role of women community in protecting environment, she said women are the key players in environment as well as social forestry activities.

Earlier in the morning, a colourful rally from Shishu Park marched upto Shishu Academy carrying the message of the day. The Environment and Forest Minister led the rally.

The Environment and Forest Secretary and the Bhutanese Ambassador Dr T Tobgyel, were also among the marchers.

Boy Scout, Girl Guide and people of "Swarivar Bangladesh" took part in the colourful rally waving banners and festoons inscribed with the theme of the day — "One Earth One Family."



I S Sangster, Managing Director of Lever Brothers Bangladesh Limited, speaking at the launching ceremony of a new product with the brand-name 'Lifebuoy Plus' at Hotel Agrabad in Chittagong yesterday. Directors, salesmen, management personnel of the company and representatives from East Asiatic advertising agency were present.

China bans short selling of state treasury bonds

BEIJING, June 5: China has ordered a stop to the short-selling of state treasury bonds, because securities dealers are selling more bonds than they actually own, an official newspaper said Sunday, reports AP.

The China Daily Business Weekly, said some securities dealers sold custody certificates without owning the bond equivalent.

This has swollen the government's treasury bond issue and could undermine official efforts to manage China's economy, the newspaper added.

Lever brothers markets new washing soap

From Staff Correspondent

CHITTAGONG, June 5: Lever Brothers Bangladesh Ltd, a big multinational company of the country, introduced a new and updated personal washing soap with a brand-name 'Lifebuoy Plus' into the market.

To mark the occasion, the company organised a colourful ceremony of the product, at a local hotel here Saturday evening.

Speaking at the function, the managing director of Lever Brothers Bangladesh Ltd I S Sangster said the new soap 'Lifebuoy Plus' is being manufactured by the company in keeping with its objective of

providing the people of Bangladesh with the latest and the best of international brand offerings to meet the satisfaction of consumers.

Besides, as per regional harmonisation programmes, the company has updated the products to dominate the markets, Sangster added.

The function, conducted by Femi Oyewole, product group manager of the company, was addressed along others by J A Lea, marketing director, M A Matin, commercial director, Md Yunus, technical director, Rashed Ahmed, brand manager and Ali Zakar of East Asiatic.

Russia allows 2000 Chinese labourers to enter

BEIJING, June 5: Russia has allowed entry to only one-sixth of the 12,000 Chinese labourers contracted to work in its Far East, an official newspaper said on Sunday, reports Reuters.

"The Russians are afraid that the influx of thousands of Chinese labourers might unsettle the country's vast Far East region," the China Daily said in its business weekly edition.

In a page one report the English-language newspaper dismissed what it called "false" Russian news reports that one million Chinese labourers were in the Russian Far East.

It said the number of Chinese workers in Russia could be far more than 12,000, but said any influx of Chinese illegal aliens was a problem for Russia, not China.

"There is little dispute that Russian authorities should stem the flow of these unorganised (Chinese) individuals," China Daily said.

Russia had contracted with China to import 12,000 Chinese workers for construction and agricultural project, but had allowed only 2,000 to enter the country, the report said.

"The remaining 10,000 are waiting on the Chinese side of the border," it said.

Real interest rates and economic slowdown

By Shafin Hasan Ali

Bangladesh features prominently among nations which have achieved macro-economic stability. It is argued that such a condition in sine qua non to put the country in the same league as Korea, Taiwan, Thailand, and other vibrant Asian economies. This because stability releases policy makers from the trepidation of galloping inflation and short falls in foreign currency reserves. Consequently, they are not restricted to limited choices and have at their disposal an entire gamut of policy options. Macro-economic stability is therefore a precondition for growth. However, far from embarking on a dynamic growth path, we are finding ourselves in the midst of economic stagnation.

Few doubt that investment has been sluggish over the last few years. The diagnoses that have hitherto been put forward relate to deteriorating law and order, lack of protection, instability of policies, exchange rate overvaluation, labor militancy, illegal cross-border trade, red-tapism, and so on. All these arguments have merit. Yet surprisingly, the level of interest rates for lending — specifically, the real rates have rarely been mentioned.

What are real interest rates? An example illustrates the concept: consider a textile mill which has borrowed at an interest rate of 10%. Suppose inflation causes all prices in the economy to rise by 5%. This sales and costs go up by 5%, leading to a corresponding identical increase in profits. Now this gain, solely due to inflation, can be used to service part of the debt. The actual interest burden is therefore that part of interest payments not compensated by inflation. Economists term this the real interest. Correspondingly, the real interest rate is the inflation-adjusted nominal interest rate. In such case, inflation covers half of the interest rate, the other half, or 5% is the real interest rate. (Actually this is an approximation. The correct real rate, in this case is 4.76%).

While lending rates have fallen somewhat, these are only the nominal rates. Given the dramatic fall in inflation, real interest rates have however risen considerably — presently ranging from a low of 8.5% to a high of 20%, and av-

eraging around 12.9%. This is an all-time high for Bangladesh, more so by global standards. Historically borrowers in the US have paid between 1%-3% above inflation. Real interest rates in the oft quoted East Asian miracle countries have rarely exceeded 5%. Closer to home, Pakistani borrowers, on average real terms, are currently paying around 4%. And although India is coping with a situation similar to Bangladesh, they are far from passively accepting the situation. Real rates have been explicitly mentioned in the media as a reason for investment sluggishness. As India Today reports, "Despite the fact that interest rates have been reduced by 5 per cent over the last two year, real (interest) rates... remain prohibitive at 8 per cent, as compared to 2-3 per cent in competitor countries."

Are firms in Bangladesh being affected by high real interest rates? In lieu of hard empirical evidence, one may reason as follows: Many industrial enterprises rely on a high

proportion of debt for both fixed and working capital financing. The slow rise in industrial product prices imply that only a small part of interest payments are being offset by inflation. In other words, debt service could be exhausting a sizeable chunk of profits — or investible surpluses.

Some may argue that interest rates have very little to do with the present slack in investment behavior. It is hypothesized that the true explanations are lack of law and order, policy instability, etc. These arguments are important. However, they do not tell the whole story. Consider the time of Ershad's regime: Can we really say that industrial disputes were rare? Who can swear that there were no violent political demonstrations which paralysed the whole country? Is there a single industrialist who believes that policies were more predictable? Yet during those turbulent years, the nation witnessed the birth of the readymade garments industry. Clearly, "law and order" and

similar suppositions have their limitations. It is time to investigate other possibilities — namely, real interest rates.

So how can interest rates be lowered? Present bank regulations prescribe minimum deposit rates. A possible solution is therefore, lowering of 'deposit floors'. The reduced deposit costs would allow banks to cut lending rates.

This strategy could be effective if competition was strong in the banking sector. Few believe that it is. There are several arguments for this conviction, but I will mention only one. In 1988-89, the different between average lending and deposit rate was 5.8%. In 1992-93, this spread increased to 7.9%, despite lowering of deposit rates from 8.1% to 6.5%. A competitive environment would hardly permit this type of pricing behavior. Thus it seems unlikely, that banks left on their own would cut lending rates sufficiently to stimulate economic activity.

An alternative solution is to "cap" or put a ceiling on lending rates. Banks would be

free to vary their rates within the prescribed limits.

What should the maximum allowable interest rates be? This is an issue outside the scope of this article. However, it may be said that caps should be set by taking into account factors such as inflation, economy wide profitability, cost of funds for banks, and so on. As these change, adjustments to the ceilings will be made accordingly. Eventually, it may be decided to dispense with interest rate controls altogether.

Nationalized Commercial Banks (NCBs) may argue that without high interest rates, it is impossible to offset the huge bad debt that has accumulated over the last two decades. High interest rates, however, may not necessarily be the answer. This is because high interest rates drive out good borrowers in favor of bad borrowers who either undertake very risky projects or have no intention of repayment. Bankers who can evaluate the true worth of these borrowers will stop lending under such conditions. But mistakes in evaluation are bound to occur — resulting in

bad loans.

To those who would argue that capping interest rates is a move going against the spirit of financial sector reforms currently taking place, it is important to point out that short-term regulation is not necessarily indicative of ideological opposition to free markets. Regulations are needed only to the extent to correct for imperfections — particularly in credit markets.

Moreover, interest rate liberalization, in a weak banking sector, often leads to high real interest rates. For example, when credit market controls were first relaxed in Latin America, real rates jumped to 40% in Chile, and 15% in Argentina and Uruguay. It is noteworthy, that after seeing the results, Ronald McKinnon, an eminent economist, who was initially in favor of interest rate liberalisation, argued that under certain conditions lending rates should be capped.

Slashing real interest rates is necessary to reverse the slow down in economic activity. Direct controls may seem

out of vogue in the era of liberalization. However, far from going back to days of mindless controls, short-term interest rate caps may be viewed as a stepping stone to a dynamic economy and truly market oriented banking industry.

With inflation well under control (nearly 0%) and reserves at remarkably high levels (about 7 months imports), the time is appropriate to address the real interest rate issue for generating investment. The tradeoff for generating investment by reducing real interest rates could be inflation. However, unless there are valid reasons for believing that the resulting inflation would be unmanageable, it may prove a risk worth taking. The stable macro-economic atmosphere may just be able to provide the cushion needed to take this risk.

Alternatively, policy makers could remain enamored by the status quo, condemning Bangladesh to become the lame tortoise of Asia, while Vietnam, India, Pakistan, et al, take-off towards prosperity.

(The author is an economic consultant and a doctoral candidate).

Commodity market: Gold, silver, platinum higher while copper, zinc, nickel lower

LONDON, June 5: Most commodities fluctuated during the week on US investment fund speculation, reports AFP. Precious metals began the week higher on speculative buying which then dried up, provoking falls in gold, silver and platinum. Coffee, vegetable oils, sugar, grains and cotton all followed a similar path.

Cocoa, however, rose steadily on continued interest among investors but the base metals fell steadily.

Nickel weakened, after recent highs, on news that workers at Canadian Group Inco's Factory at Sudbury, Ontario, had succeeded in negotiating a new labour contract, averting a strike.

GOLD: Higher, then lower. London prices began the week at a high level. Lifting above 387.5 dollars per ounce on Tuesday, rising on the back of the New York market, before falling to around 383 dollars as investment funds withdrew.

Dealers said the market was wary, and that with the period of lower interest rates in Europe coming to an end, any rise in interest rates would see the central banks attract speculative capital and hence cause commodities prices to fall.

Elsewhere, Russian production, the second largest in the world, could reach 157 tonnes in 1994 compared to 149.5 tonnes last year and 146.1 in 1992, said Yevgeny Bychkov, a member of the National Committee for Precious Metals.

SILVER: Higher, then lower. The price of silver began the week higher, reaching a height on Wednesday at 5.6 dollars per ounce on speculative buying. But then fell on the back of gold prices to end at around 5.4 dollars.

PLATINUM: Higher, then lower. Like gold and silver, platinum rose and fell during the week for speculative and

technical reasons. It soared above 400 dollars on Wednesday, but was then lower at 396 dollars at the end of the week.

Analyst Rhona O'Connell said in a recent report that the price of platinum should rise sharply in the next 18 months to stabilise at between 450 and 500 dollars per ounce.

COPPER: Lower. Copper fell around 50 dollars during the week to about 2,200 dollars per tonne, generally pulling the rest of the complex with it. Markets were shut on Monday for a bank holiday.

The metal reacted little to news of a strike at Noranda's Gaspé Mine in Canada on Monday, where there are no new meetings planned between workers and the union.

The mine produces 25,000 tonnes of copper per year, but the cut is not expected to affect the market until next year. Analyst Karen Norton from Billiton Enthoven said the metal was still underpinned by strong demand in the US, patchy demand in Europe, and large falls in stocks.

Elsewhere, dealers said that before buying more copper, investors would look for stronger signals that consumption in the lagging regions of Western Europe and Japan and turned the corner.

They added that demand for copper imports in China remained difficult to gauge, owing to recent reports that as much as 50,000 tonnes of copper may be held in duty-free ports.

Weekly stocks on the LME fell 4,250 tonnes to 382,750 tonnes.

LEAD: Slightly lower. Prices dropped around five dollars during the week, after rising on Monday, to end around 514 dollars per tonne as the metal generally followed copper and nickel in quiet trading.

Elsewhere, Canadian firm

Cominco closed its magmont lead and zinc mine at Bixby in Manitoba, as supply of the metals diminished. Last year, the mine produced 27,800 tonnes of concentrated lead.

Weekly stocks on the LME rose 2,550 tonnes to a record 352,575 tonnes.

ZINC: Slightly lower. Zinc fell around 10 dollars during the week to around 976 dollars per tonne.

Analysts said since exports from China, Russia and North Korea continued to weigh on the world market and contribute to a surplus which will only be lightly dented by the occasion by Germany's metallgesellschaft to cut output.

Price rose last Friday after news that the company would curb output at its Ruhr-Zink Datteln. Zinc smelter from 200,000 to 90,000 tonnes per year.

"It (the cut) will make itself felt, but will not redress the market imbalance," said an industry source.

Elsewhere, the international lead and zinc study group predicted another large surplus this year, though this would be somewhat lower than the 500,000 tonnes estimated for 1993, a source close to the inter-governmental organisation said.

Analysts said many more cuts are needed to restore the world market to health.

Weekly stocks on the LME rose 9,500 tonnes to a record 1,179,175 tonnes.

ALUMINIUM: Lower. Aluminium fell during the week by around 20 dollars, to a Friday figure of around 1,345 dollars per tonne.

During the week, the metal fell with nickel and copper was speculative funds ebbed, but lifted on Friday as lower stocks boosted the price.

During the week, it ignored projections from Billiton

Enthoven metals that, for the first time in several years, fall in the daily operating rate of aluminium smelters would not be offset by start-up of news capacity.

International Primary Aluminium Institute figures, which showed a fall in the daily rate to 39,900 tonnes in April compared to 39,900 in March and 41,500 for the three previous months, were indicative of the impact of production cuts, analysts said.

Billiton has already estimated that cutbacks over the last eight months or so would lead to a decline in output of around one million tonnes in the West this year.

This assumes a continued fall in the daily rate and that existing mothballed smelters remaining dormant.

NICKEL: Lower. Nickel fell around 300 dollars to end the week at around 6,100 dollars per tonne.

Dealers said the fact that a strike had been averted at Canadian producer Inco's Sudbury, Ontario, division did little to lighten commodity market concerns about oversupply.

Inco Unions ratified a new three-year collective agreement with management, averting a strike at the last minute, after the previous labour contract expired on May 31.

Of the 4,060 workers that voted on the offer, 78 per cent, or 3,161 employees, were in favour of the new contract, a union spokesman said. The division employs nearly 5,000.

Under the new agreement, the pension for a worker with 30 years of service will rise to 2,300 Canadian dollars per month from 2,000, effective immediately.

Nickel prices, which surged above 6,700 dollars per tonne last week on speculation of a strike, are expected to fall

back until demand picks up enough to start denting inventories.

Weekly stocks rose 798 tonnes to 132,702 tonnes.

TIN: Lower. Tin ended the week 100 dollars lower, at around 5,565 dollars per tonne, as the metal generally followed the movements of the complex, which was led this by nickel and copper.

News that Germany's Metallgesellschaft AG is to close its Duisburg tin smelter, an operational facility of "Berzelius" Stolberg GMBH and Co, had little effect on prices.

Elsewhere, the Japan Mining Industry Association said the country's demand for tin totalled 21.8 tonnes in February, down 6.8 per cent from a year earlier.

COCOA: Higher. For the first time since December, the price of cocoa remained above 11,000 pounds per tonne during the week, sustained by speculative interest.

Trade house GNI said the price of cocoa was likely to rise in the coming weeks as the market is expected to react to a cut in supply.

Elsewhere, the British pressure group world development movement calculated that a one-pound bar of chocolate bought brought only 0.08 pounds to the producer compared with 0.16 pounds in taxes to the British government.

COFFEE: Nervous. The price of Robusta fluctuated as dealers bought and sold speculatively. The price rose sharply on Tuesday in the wake of rises in New York, but fell back on profit-taking.

Prices remained above 2,000 dollars per tonne and dealers said they fluctuated less towards the end of the week as speculation diminished and industrial buying picked up, particularly for the

roasters.

French trade sources said coffee futures prices should rise slightly this summer — but by autumn are expected to rise by a hefty 17 to 20 per cent.

SUGAR: Firm. The price of white sugar remained firm, lifting over 328 dollars per tonne, on speculative interest as the market was seen as promising.

Price also rose on rumours of buying from Egypt, China and India on the US market. GNI Trade House, quoting a US official, said that India could import 1.2 million tonnes before November to satisfy internal demand.

The US Department of Agriculture (USDA) estimated that for 1994-1995 (October to September) world production would total 116.3 million tonnes — representing a 3.6 per cent rise on the previous season. The USDA also predicted.

Bigger harvests for Cuba, Brazil, Thailand and India.

World consumption should reach around 116.1 million tonnes in 1994-1995 compared with 114.9 million during the previous season. Exports are predicted to be around 29.47 million tonnes in 1994-1995.

VEGETABLE OILS: Generally higher. The price of vegetable oils rose on the Rotterdam market in the wake of higher soya prices on the Chicago market at the beginning of the week, caused by drought in the US production zones.

The price of soya oil rose, as did sunflower oil, lifting to levels reached several weeks ago. Chinese imports of soya oil have jumped since the beginning of the year (January-May) rising 10 per cent on the previous year.

The price of palm oil also rose, as Malaysian exports dropped 40,000 tonnes in May

to around 403,946.

OIL: Stable. The price of Brent crude North Sea Oil varied little during the week, shortened by a British bank holiday on Monday, trading around 16.40 dollars on the international petroleum exchange — the London Market.

Prices, however, ended the week higher, after encouraging US stocks figures from the American Petroleum Institute. The figures showed crude oil stocks dropped 2.88 million barrels in one week to 333.160 million barrels — 19.06 million barrels less than the previous year.

RUBBER: Higher. Price rose to around 725 pounds per tonne on speculative buying and on purchases of Indonesian rubber by China.

Andrew Trevatt, analyst with Landell Mill, said the Chinese had recently decided to stop buying latex rubber from Thailand and to buy from Indonesia instead, as it is much cheaper.

He predicted prices would not rise particularly steeply at the moment, and having reached a peak, would probably fall in the coming weeks.

GRAINS: Stable. The price of wheat remained stable at a relatively high level, little affected by current nervousness in the US, as dealers described the European market as calm.

Prices on the other side of the Atlantic have climbed and fallen as meteorological forecasts predicted first of all a drought, then heavy rains in the US producing regions.

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repeated that the country wanted to reduce its grain imports, despite a drop in production.

TEA: Firm. The average auction price of tea rose above 126 pence per kilo while top quality tea remained at a high level, benefiting from strong demand as production declines.

The civil war in Rwanda is expected to result in an extreme cut in exports — the country produces the best teas in the world. The Economist Intelligence Unit (EIU) said production was not expected to exceed 5,000 tonnes as against 13,000 tonnes in 1992.

Kenya, the other country which produces high quality teas, has seen production diminish toward the end of the year because of drought.

Although high quality teas are higher, the price of medium and low quality teas is expected to remain at a low level for the months, or even years to come, said analyst Tony Kane from Wilson Smith.

COTTON: Higher. The price of cotton lifted following recent rise on the US futures market, as investment funds speculated on what is perceived as a stable crop with a diminishing supply.

Dealers said that European trading was limited while the Liverpool market was closed on Monday on a national holiday in Britain.

Pakistani importers estimated that they had bought less than 130,000 tonnes of cotton since the beginning of the year after a disastrous harvest in the country.

WOOL: Firm. The price of wool remained firm at 4.26 pounds per kilo on the Bradford market while prices on the Australian market continued to climb on weak supply and on strong demand from China and Japan.