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Grameen Trust, Netherlands sign accord

Grameen Trust and the government of the Netherlands have signed an agreement to carry out a research programme on poverty alleviation, reports UNB.

Prof Muhammad Yunus, executive trustee of the Grameen Trust and H Gajentaan, Ambassador of the Netherlands to Bangladesh, signed the agreement on May 30 for a three-year period.

Under the agreement the Grameen Trust will facilitate implementation of the programme while the Netherlands government provide necessary funds for it.

The programme attempts to support the development research sensitive to the perceived needs of the poor by way of bridging the gap between the researchers and users of the research.

It will facilitate the opening up of the research opportunities to a broad range of researchers from universities, teaching and research institutions, NGOs and private individuals, who are concerned with the commonmen.

Meanwhile, a steering committee, headed by Prof Rehman Sobhan, has been formed within the Grameen Trust to overview the programme.

Taiwan to be laden with sleepless over China trade

TAIPEI, June 6: Taiwanese government officials will be "laden with anxieties and sleepless" when China and Hong Kong replace the United States as the island's largest export market after the British colony reverts to Chinese rule in 1997, a Taiwanese negotiator with China said, reports Reuter.

Trade between Taiwan and China, including Hong Kong, after 1997 is expected to account for over 30 per cent of the island's overall trade, the independence Morning Post on Sunday quoted Shih Chi-Ping, Deputy Secreytary-General of the Straits Exchange Foundation, as saying.

"This development, unparalleled in the past 30 years, will make our government officials laden with anxieties and sleepless in the evening," Shih said.

Taiwan's trade with China and Hong Kong now accounts for about 24 per cent of its overall trade, and the figure is growth at an annual rate of two to three percentage points, Shih said.

Taiwan's nationalist government, which lost the Chinese civil war to the communists in 1949, still restricts trade with and investment in China, fearing over dependence would leave it vulnerable to political pressure from Beijing.

"But there is no way the government can bar businessmen from investing on the mainland, Shih said.

About 20,000 Taiwanese businessmen have pured over US 20 billion dollars into China since tensions between the two sides began easing in the late 1980s, Shih said.

He attributed growing investment in China to Taiwan's labour shortage, rising real estate prices and a growing environmental movement on the island.

Most Taiwan-China trade goes through Hong Kong as Taipei still bans direct trade for political reasons.

US, S Africa to set up joint business body

ATLANTA, Georgia, June 6: The United States and South Africa agreed here yesterday to set up a joint business development committee to encourage US businesses to invest in post-apartheid South Africa, reports AFP.

The agreement was signed by US Commerce Secretary Ron Brown and South African Commerce and Industry Minister Trevor Manuel during a conference in this southern states on democracy and economic development in South Africa.

"I believe there could be hundreds of millions of dollars invested in a very short time," said Brown.

Archbishop Desmond Tutu said, "our economy is waiting to take off. It must succeed for the sake of democracy."

Many speakers at the conference stressed the lack of training of South Africa's workforce and the need to give blacks a greater responsibility in businesses.

Wage determination system in Bangladesh needs reform: WB

The World Bank has suggested that the present wage determination system be replaced by one that allows decentralised collective bargaining and differential wage awards reflecting productivity changes, reports UNB.

"Decentralisation should subject public sector managers and employees to constraints and discipline of market forces," says World Bank.

The multilateral donor agency sources told UNB that there are three essential features of a competitive market that can lead to efficient wage and employment decisions.

Firstly, enterprises should be profit-seeking and self-reliant, and not receive government subsidies.

Secondly, they should be able to borrow to finance investment needs or working capital requirements, but are expected to repay their loans plus interest.

Thirdly, the enterprises should face domestic or international competition on the product market, and should not be able to unilaterally face domestic or international competition on the product market or unilaterally raise prices of their products to mask inefficiencies.

In the case of natural monopoly, as in power or urban water supply, output prices are to be regulated, the bank said.

The combination of these features is necessary to ensure that enterprises are staffed and operated efficiently, employing only that amount of labour necessary to produce the desired output level. Employees should be paid only the amount needed to recruit, retain and motivate a satisfactory workforce.

The above-mentioned three conditions are missing in most state-owned enterprises, the WB noted, but said immediate turn to complete decentralisation may lead to difficult transition problems, as has happened in the East European economies.

"Management and labour may collude to increase the wage bill, strip assets, and raise enterprises' losses even further. State-owned enterprises are not profit-maximizing. They face a soft budget constraint and finance losses through government subsidies or borrowing from nationalised commercial banks, which they often do not repay."

In some cases, they have high tariff protection that allows them to raise product prices. Thus, those enterprises are not under pressure to contain their wage bill, and leaving employment and wage decisions entirely to their managers and staff can lead to preserve results.

Over the medium term, the World Bank viewed, the solution is to change the environment within which state-owned enterprises operate and then completely decentralise wage decisions. In most cases, a change in environment will automatically occur through privatisation.

For state-owned enterprises that remain in the public domain, management must face hard budget constraint. A system of appropriate incentives need to be introduced before employment and wage decisions are left entirely at the discretion of state-owned enterprises' management and staff.

Labour leaders who have been pressing the government for fixing minimum wages for both public and private sector workers gainsaid the World Bank please.

"Exploitation and anomalies will increase if the government implements decentralised wage determination system imposed by the World Bank," said Dr Wajedul Islam, Secretary of the Trade Union Centre and Coordinator of the Sramik Karmachari Oikya Parishad (SKOP).

He said the government has the responsibility to ensure minimum wages for the workers irrespective of private and public sector to maintain subsistence level. "Firstly, the government should announce national minimum wage. Then, individual unit or sectorwise wages could be determined on the basis of minimum wage."

Speaking about exploitation over individual unit wage determination, he referred to garment workers who are paid only Tk 300 to 400 for their month-long labour, whereas Tk 2000 is the minimum wage in multinational companies.

The leader of the SKOP, an alliance of trade unions representing around 30 lakh organised and unorganised sector workers, said, "We urged for announcing national minimum wage of Tk 1400 for all workers, but the government announced Tk 950 as minimum wage only for the public sector workers."

The National Wage and Productivity Commission has also recommended and submitted a report on minimum wage of Tk 1000 for public sector industrial workers and Tk 900 for private sector workers, he said.

South Yemeni firefighters try to extinguish a big blaze in the oil refinery of Little Aden, following an attack of North Yemeni air forces on this Aden industrial zone on Sunday. — AFP Photo

Suharto will not permit foreign investment in mass media

JAKARTA, June 6: President Suharto said Monday he would not permit foreign investment in Indonesia's mass media despite a new regulation in areas where foreigners could invest, reports AP.

Information Minister Harmoko said Suharto had assured him that the government would continue to comply with the press law, which bans foreign investment in the mass media.

Last Thursday, in a move aimed at attracting more investment to Indonesia, Industry Minister Tunky Ariwibowo and Investment Minister Sanyoto Sastrowardoyo announced an easing of regulations to permit foreign investment in areas, including the mass media, previously open only domestic investment.

Presidential approval, however, is required for foreign investment.

Harmoko and a number of Parliament members criticised the new rules, saying that foreign domination of the mass media would endanger the national culture.

Harmoko said Friday he was not consulted in the drafting of the new rules, which would allow foreigners to own up to 95 per cent of a mass media company.

Govt urged to allow import of reconditioned motor cycle

By Staff Correspondent

Bangladesh Autorickshaw and Motor Cycle Parts Merchants Association in a statement Monday urged the government to allow import of reconditioned motor cycle for the sake of the low-income people.

The statement signed by its President Abdul Khaleq said if the government permits import of reconditioned motor cycles, some two lakh cycles will be imported annually, thereby enabling the government to earn more revenue.

He said the present price of a 100 CC motor cycle is almost same to the price of a reconditioned car. But the people from low-income group are not being able to purchase those for the high price, he added.

The president of the association also alleged that the importers of motor cycle parts are being subject to discrimination in terms of imposition of duty.

He, however, hoped that the government would take necessary measures to protect the interest of the low-income people as well as the importers of the autorickshaw and motor cycle parts.

Hanoi to start construction of major sea port this year

HANOI, June 6: Construction of Vietnam's biggest sea port, a 900 million dollar project planned for the country's southern coast, is scheduled to start this year, an official report said Monday, reports AP.

The Sao Mai-Ben Dinh deep water port, a joint-venture with Japan, will be completed in the year 2000, the state-run Vietnam News said. It will be located in Ba Ria-Vung Tau province, 65 kms (40 miles) southeast of Ho Chi Minh City, the country's main commercial centre.

Japan's Tredia Investment Co. and Vietnam's Service and Construction Investment Co (INTRADEX) are partners in the project, the paper reported. It gave no information about possible subcontractors or the timing of possible bids for work on the facility.

The first phase of work, scheduled from 1994 until 1997, will enable the port to accommodate ships of up to 80,000 tons in weight. The first phase will include construction of an industrial zone, container storage space and oil service facilities, the paper said.

The second phase, from 1998 until 2000, will develop the port further to handle ships of 200,000 tons and will add oil refining and storage facilities. The Sao Mai-Ben Dinh port will have an annual capacity of 50 million tons of freight upon completion, the report said.

Vietnam's largest port at present is Saigon port in Ho Chi Minh City. It is accessible only to ships weighing no more than 10,000 tons, due to the shallow Saigon River that connects it with the sea.

Nepal-Bangladesh Bank opens in Kathmandu

KATHMANDU, June 6: The Nepalese Prime Minister Girija Prasad Koirala today inaugurated the Nepal-Bangladesh Bank here saying it would further promote opportunities for more joint venture in various sectors between the two countries, reports BSS.

"I am sure, this bank will help boost individual or private sector participation in the field of economy in the region as a whole," he said adding that his country like Bangladesh also wanted to bring about economic development at the grass root level.

Nepal-Bangladesh Bank Limited (NB Bank Ltd) is located at the Ram Rukmini Sadan on Ramshah Path in Kathmandu. A joint venture bank promoted by International Finance Investment and Commerce Bank (IFIC) of Bangladesh with Narshingh Bahadur Shrestha Group (NBS Group) and ICTC Group of Nepal will develop the priority sector, small entrepreneur and weaker sections of the society in Nepal.

However, GP Koirala said since the newly established NB Bank was intending to utilise small savings it would ultimately help small savers and other concerned groups.

With Chairman of the NB Bank Jitbahadur Shrestha in the chair, the inaugural function was also addressed by Finance Minister Mohesh Acharya, Governor of Nepal Rasthra Bank Hari Shanker Tripathy, Bangladesh Ambassador to Nepal Muhammad Hussain, Director of IFIC and NB Bank Ahmedul Kabir, Director of NB Bank R I Shrestha and Director of IFIC and NB Bank Aminul Huq Choudhury.

The inaugural function was also attended by ministers, Members of Parliament, senior government officials, diplomats, chamber leaders, and leading businessmen and Director of IFIC AHM Shawkat Ali Chowdhury.

Jenet Riley, the Biometrics Adviser in Bangladesh of the Overseas Development Administration (ODA) of UK paid a courtesy call on the acting VC of the Jahangirnagar University (JU) yesterday at the latter's office.

Spotlight on textile industry

"A good share of world market possible"

By Jalal Alamgir

A better industrial policy would enable the local textile sector to tap the lucrative global market, said Syed Mohammad Qaisar, Chairman of Saiham Textile Mills Ltd.

Qaisar, a noted industrialist, has been involved with the textile sector for the last 15 years. He set up his textile enterprise in the early eighties and took a bold step by establishing the factory in a rural setting in Habiganj District.

In a recent interview with The Daily Star, he outlined the prospects and problems of the country's textile sector.

Quite optimistic about the future outlook of the sector and looking forward to the auspicious visit this month by the Thai foreign minister leading a business delegation to explore the textile sector, Qaisar welcomed the recent policy attention to textiles, while pointing out the pressures of increased competition.

"Singapore, Hong Kong and other countries which have no raw materials for textiles at all, have occupied a remarkable place in the world of textile and fabric markets," he said. "Our neighbouring countries have also increased their volume of textile exports."

In view of this competition, Qaisar called for better government monitoring to ensure a fair match for local manufacturers.

Asked to identify areas which need better monitoring, Qaisar noted the adverse effects of smuggling. "The cost of finished goods in India is lower because the raw materials are locally produced and easily available."

To effectively counter the consequent of smuggling of cheap materials, he conveyed "the need to introduce ... concessional rate of electricity and gas for the rural industrial sector, as charged in our neighbouring countries." He also urged the withdrawal of advance income tax, and reduction of import duty on raw cotton and polyester staple fibre, towards lowering the production cost of textiles.

Some competitive constraints arise from local sources, which can be rectified with more rational policy measures. "Knitting and hosiery factories are able to import up to 38 per cent yarn as wastage. This surplus amount creeps into the local market, and puts local yarn into a cost disadvantage. This import limit should be reset to 10 per cent."

Qaisar also pointed out the illegal use of Back-to-Back LC: "It appears that some dishonest garments manufacturers utilize this facility [Back-to-Back LC] and sell a good quantity of imported cloth in the local market," he said. "As a result, the local textile industry is facing an uneven competition. Measures should be taken to stop this infiltration."

In his opinion, new textile investors should nevertheless take advantage of the demand from the garments sector, which now earns over Taka 72000 million annually. This means that ... emphasis should be placed on adoption of advanced technology and quality control, especially for old factories. It may be noted that Saiham supplies high quality fabric to this sector.

With project cost of Taka 15 crore, Saiham Textile Mills was established as a public limited company in 1981, under assistance from BSRS, ICB and other consortium members. It is now listed with the Dhaka Stock Exchange. It further expanded through the set-up in 1989 of a spinning unit with 20,160 spindles.

Qaisar pointed out that by replacing imported fabrics, Saiham's goods, including synthetic shirting, suiting, dress

SM Qaisar

materials, art silk and georgette sarees, as well cotton products and yarn of different counts, save up to Taka 35 crore in foreign exchange annually.

Initially Saiham was set up to meet local demand. However, the company is gearing to broach the export market by supplying materials to the country's garments industry. From its business, Saiham provides about Taka 7.5 crore annually to the national exchequer.

Saiham is located in Habiganj, 130 kilometres away from Dhaka.

In response to a question on rural industrialization efforts following Saiham's example, Qaisar explained the advantages of having a rural setting as Saiham's.

"The government encourages decentralisation of industries to boost the rural economic position," he said, and asked new investors to utilize "the lower cost of land, cheaper rate of bank interest, and import and tax rebates, as well as help uplift the rural economy by providing employment."

The spinning and weaving units of Saiham employ 1500 people, and therefore provide livelihood for their families, the Chairman informed.

The recent government plan to bolster the textile sector should actively encourage rural industrialisation by improving the infrastructure, according to Qaisar. "Most entrepreneurs are hesitant to undertake the risk of setting up industries in the rural areas due to lack of infrastructural facilities. Even we once thought about establishing our factory in the Savar areas."

Qaisar asserted that better communication will result in better distribution of products and provide additional rural trade-based employment. The Saiham Chairman feels that if the government industrial policy decisions are taken in the light of the practical necessities of different sectors, and made consistent with each other, the textile sector of Bangladesh has favourable prospects, from income and employment generation to reducing dependency, saving foreign exchange, establishing linkages with other dynamic sectors (such as garments), ultimately towards capturing a reasonable share in the world market.

Increasing investor interest in China, India worrying ASEAN

HONG KONG, June 6: Increasing investor interest in Asian giants China and India is worrying South-East Asian nations, which fear the 'bottomless pit' of the two huge economies will mean reduced investor capital for their own tiger economies, reports IPS.

Throughout the 1980s, the newly-industrialising countries (NICs) of Singapore, Malaysia, Thailand had been the focus of businessmen on the look-out of investment opportunities.

But recent data such as that released by securities company Merrill Lynch show that in 1993, investment in Thailand, Malaysia and Indonesia fell for the second consecutive year while flows in China and India jumped sharply.

Thailand and Malaysia were the worst hit, with a 60-70 per cent drop in the amount of approved investments in 1993. All the major western players as well as Japanese and other Asian businessmen cut back on their investments in the two economies, the Merrill Lynch report showed.

Even the Investment Commission of Taiwan, which is second only to Japan as Asia's biggest investor (overtaking Japan in some countries like the Philippines, Vietnam, Thailand, Malaysia and Indonesia) says South-East Asia is losing out to China as the most popular overseas investment magnet for Taiwanese business.

Investment of US dollar 281 million in mainland projects by Taiwanese enterprises was approved in the first four months of this year against US dollar 38.59 million for South-East Asia. Capital flows to that region have been shrinking since early 1992, the commission adds.

Japanese investment has also been shifting from Malaysia and Thailand — both of which have rising labour costs — to China.

Ironically, capital is pouring into China not just from traditional investors but also from members of the Association of South-East Asian Nations (ASEAN) — most notably Singapore.

Indeed, this has led leaders of the island republic to question the "allegiance" of Chinese-Singaporean businessmen, somehow suggesting it is "unpatriotic" to invest in China. Such developments have led to comments like those from Ashwin Kongsiri, president of the Industrial Finance Corporation of Thailand, who said China is rapidly becoming a "great black hole" in Asia, siphoning off funds, expertise and manpower from other developing nations.

"China's appetite for funds is mindboggling" he told a seminar in the margins of the Asian Development Bank's annual general meeting in France in early May.

At the same seminar, Singaporean senior minister Lee Kuan Yew warned that China was introducing a "powerful suction effect" on funds, which partly accounted for a slowdown in foreign investment in the South-East Asian NICs.

Official Chinese figures show that last year, China attracted US dollar 100 billion worth of investment contracts — equivalent to the total of the last 10 years and US dollars 20 billion more than the amount predicted by Chinese trade officials in 1993.

Accountants Kpmg Peat Marwick noted recently that China is the second biggest beneficiary of global investment behind only the United States.

Qualms over the siphoning away of investments from the region are not new within ASEAN, which comprise Singapore, the Philippines, Thailand, Malaysia, Indonesia and Brunei.

Similar sentiments were expressed over eastern Europe's opening up, which ASEAN feared would draw away funds from the European Union, as well as the expansion of the European Union itself, which was then to lead to European investors being more inward-looking.

ASEAN was also jittery over the North American Free Trade Agreement (NAFTA) comprising Mexico, the United States and Canada, which would pour funds into Mexico rather than developing countries in Asia.

But economists here say investor' interest in China and India will actually benefit ASEAN in a way interest in NAFTA or Europe does not. They explain that it creates a growth pole in the region, which in turn provides a market for ASEAN goods and services.

Even Singapore's Lee acknowledged that China's growth would add up to one per cent to Asia's gross domestic product growth.

Other analysts also note that the future for ASEAN investments is not all gloom and doom. Indeed, investment in the region has dropped partly only because of a prolonged recession in the west. A pick-up in economies there could well halt the slide, say experts.

Economists also say the investment frenzy in China may have already peaked with a major problems now surfacing with the country's economic austerity programme, surging inflation which is raising the wage bill fast and new taxes brought in at the beginning of the year that eat into profits.

Still, pessimists in ASEAN argue that major interest in India is only just beginning, and that country's appetite for goods and services is comparable to China's, and investment in low-cost Vietnam is also picking up.

And while conditions are getting more difficult for investors in China, interest in the country is bound to be pricked again as Beijing opens up new sectors, including services such as real estate development, retail centers, transport, including airlines and car and parts manufacturing, finance and tourism.

Experts predict China will continue to pen up its economy as it pursues GATT membership.

Some economists are now urging the ASEAN six to improve the climate for domestic investment rather than relying on declining foreign investment. Meanwhile, ASEAN itself is speeding up plans to create a regional free trade zone within 15 years.

Merrill Lynch pointed out that foreign investors in Asia are no longer just seeking a production base. It added: "Asia's importance as a market in its own right has emerged to the fore, and for many investors, the objective is to seek access to the domestic market".

Experts say so long as ASEAN is perceived to be a group of fragmented, small markets, investors will continue to flock to the huge potential markets of China and India.