

Share investors
satisfied over
SEC's rules

Bangladesh Share Investors Forum expressed satisfaction over the Securities and Exchange Commission's (SEC) regulations requiring registration of brokers, sub-brokers and dealers who trade in shares and securities, says a press release.

The satisfaction was expressed at a meeting of the executive committee of the forum held Thursday in the city with its President Professor Abu Ahmed in the chair.

The rules issued by the commission, the forum feels, will help bring discipline in the stock market and also secure accountability in the stock transaction.

The separation of functions and the establishment of a transparency in share trading were the long-felt demands of the share investors.

The forum has been saying for the last few years, that a reformed stock market is the only way to protect and restore the confidence of the share investors in Bangladesh capital market.

World airlines'
cargo increases

GENEVA, June 17: World airlines carried 13 per cent more freight on international scheduled services in the first four months of the year than in the same period in 1993, the International Air Transport Association said on Thursday, reports Reuters.

The figure, provided by an IATA spokesman, confirmed signs of a strong recovery in air freight traffic among IATA members after a relatively good year, industry sources said.

The sources said the increase meant the excess capacity which had pushed down prices for air cargo was being reduced.

In its annual statistical report this week, IATA said its 224 members carried 9.3 per cent more freight on international scheduled services in 1993 than in 1992.

In total, they transported 10.2 million metric tonnes of freight in a second year of growth after a decline in 1991.

Airlines are looking for a boost in cargo traffic to help bring international scheduled freight and passenger services back into profit after four years of losses.

Strike shuts down
Long Island
Rail Road

NEW YORK, June 17: Motormen and conductors on the Long Island Rail Road struck the nation's busiest commuter rails system early Friday, leaving more than 100,000 riders to find their own way to work, reports AP.

Up to 2,300 union employees walked out over wages, after talks overseen by a federal mediator failed to yield an agreement in the two a half years contract dispute.

"We can't be stepped on," said union lawyer Edward Yule Jr.

The railroad's parent agency, the Metropolitan Transportation Authority, chartered hundreds of buses to take Long Island commuters to New York City subway stations in the morning. Businesses rented hotel rooms for employees.

The railroad collects an average of 254,000 fares each weekday. Most come from the 103,000 people who ride in and out of New York City during rush hours.

The last LIRR strike, an 11-day walkout in 1987, was settled during a 60-day cooling-off period imposed by Congress.

Master plan for ports
seems uncertain

From Nurul Alam

CHITTAGONG, June 17: Despite the approval of the Ministry of Planning and other relevant bodies, uncertainty looms large over the implementation of the study project aimed at preparing an integrated master plan for upgrading the services and facilities of the country's ports.

According to sources, the World Bank which encouraged to initiate the study project for the master plan earlier with assurance of necessary funding, has now changed its voice by demonstrating hesitation to finance such a project.

In a letter sent recently to the Economic Relations Division (ERD) and other relevant authorities, the World

Bank backed out its pledge by showing the reason of non-availability of sufficient funds for the project.

Sources said the World Bank in its letter has, however, assured of funding any other project to meet immediate requirements of the ports. As a result, the ten month long study project for preparing the plan has fallen become uncertainty.

However, a preliminary mission of the World Bank is expected to arrive here by the first half of July to discuss the matter with the concerned bodies.

The study project was launched to prepare an integrated master plan for providing advanced technology in

cargo handling, extra port facilities and a uniform tariff system at the Chittagong, Mongla and Narayanganj ports.

Initially, the Ministry of Shipping was supposed to complete the study project but after approval, Chittagong Port Authority was assigned to carry out the project costing Taka 4 crore 45 lakh.

Meanwhile, the authority has not yet taken any alternative decision to provide finance for the project, sources informed.

The master plan which was formulated for Chittagong Port only in 1965 has not been updated over the past 30 years to cope with the latest cargo handling demands.



Bangladesh Tax Lawyers Association arranged a post-budget press conference at the Jatiya Press Club in the city on Thursday.

Pak rupee gains

KARACHI, June 17: The Pakistani rupee gained 0.10 rupee to 32.20 against the dollar in Korb market trade on depressed demand for dollars, dealers said, reports Reuters.

"Demand for the dollar seems to have subsided and there is hardly a buyer in the market," Korb dealer Mohibul Haq said.

The premium on foreign exchange bearer certificates fell to 5.30 per cent from 5.50 per cent at the close on Wednesday.

The State (central) Bank of Pakistan spot buying rate was set at 30,1500 rupees and spot selling at 30,8033 on May 19.

"The rupee fell 0.45 rupee to 32.50 against the dollar on rumours of a massive devaluation after the June 9 budget and has since been fluctuating between 32.30 and 32 rupees," Haq said.

"Now the market seems to be consolidating as dealers are realising that a devaluation will not be as sharp as rumoured," he said.

"It will now defend on the demand and supply of dollars," he said, adding he expected the dollar to remain around the 32 rupee level.

Tata Tea's net
profit rises

BOMBAY, June 17: India's Tata Tea Ltd, the world's largest tea company, said Wednesday net profit in the year to March rose 15.4 per cent on a year earlier to 620 million rupees (20.30 million dollars), reports AFP.

Profits in the year to March 31 were up 80 million rupees over fiscal 1992-93, the company said in a statement here.

The profits came on revenue of 4.35 billion rupees 145 million dollars, a marginal rise over the previous year's 4.11 billion rupees.

Tata Tea declared an 80 per cent dividend and a bonus of one share for every two owned by its shareholders.

PLO worried about delay over
funneling fund from donors

JERICHO, West Bank, June 17: The people of Jericho are volunteering time, money and food to keep self-rule running. But when PLO Chairman Yasser Arafat comes he will need hard cash from the donors, Palestinian officials say, reports AFP.

A 42 million dollar fund the Palestinian authority is now getting will see it through the month of July and cover police and civil servant salaries as well as other running costs.

Another 700 million dollars have been pledged for the rest of the year, and are to be spent on upgrading infrastructure and jobs for thousands of unemployed Palestinians.

But, with delays in previous pledges — mainly over the funneling of the money — Palestinian experts are worried.

"We really need Arafat to be here, to stay and lead us," said Saeb Erakat, who holds the portfolio of minister of local government. His presence will bring confidence to the people.

"But if he comes and the world abandons him and no aid comes in, that will be a disaster."

No date has been given for Arafat's arrival. One of his aides, Marawan Kanafani, said Thursday: President Arafat will announce the date of his definitive return to embrace his people and his land...when he has completed - in conjunction with the Palestinian leadership — all the administrative

and financial arrangements required by his return and the building of the state.

Erakat said 2,100 projects to improve infrastructure in Gaza and Jericho have been drawn up with the World Bank. For Jericho, they cover the installation of a sewage system, expansion of the electric power grid, and the refurbishing of schools and hospitals.

"People see peace through changes on the ground, and ordinary people will then try to protect these changes — that is real peace," Erakat said.

Erakat, who operates out of his house in the self-rule enclave of Jericho, says scores of residents come to him daily with problems, ranging from vehicle registration to land ownership disputes.

He said most public service work is now done by 160 volunteers. Meals for the hundreds of Palestinian policemen deployed here last month often come from Jericho families, free of charge.

The tax department, however, has remained closed since the Israeli handover of

power to the Palestinians. There are no employees and no tax collection.

"Don't expect taxes before getting the wheels running," Erakat said.

"I think it's a miracle we are running departments here on our own limited resources. If he (Arafat) stays for two months without getting projects moving, he will be in trouble."

"The people are ready to tighten their belts, but they need to see results."

Others in Jericho complain that many of the public services are not yet running smoothly.

"Families can't register their new-born babies, drivers are unable to get car licences, we don't have the employees, the stamps, nothing," said Taif Mohammed, a taxi driver.

The 42 million is precisely meant to fill that need.

Donated by Saudi Arabia, Gulf countries, the United States and Europe, the sum is to go toward paying salaries of about 14,500 people — police and old and new employees.

That alone should cost about seven million dollars, said Samir Abdallah of the Palestinian Economic Development and Reconstruction Council, the body charged with coordinating use of foreign funds.

ADB loans slip 50 pc

MANILA, June 17: Asian Development Bank (ADB) loans slipped nearly 50 per cent to 362.2 million dollars in the first three months of 1994 while technical assistance grants rose 45 per cent, the bank said Thursday, reports AFP.

Three loans were approved during the first quarter, including 200 million dollars for the construction of a 4.8 kilometre (three-mile) bridge in Bangladesh and 100 million dollars for an irrigation project in Indonesia.

Total loans during the comparable 1993 period reached 721 million dollars.

The Manila-based institution has warned that leading growth will slow down over the short term because of a new emphasis on project qual-

ity following pressure from cash-strapped donors, led by the United States.

An ADB statement said 25 grants totalling 10.5 million dollars were given in the first quarter to 17 developing countries for projects aimed at improving strategic planning in various agencies and promoting technology transfer.

Technical assistance grants during a similar period in 1993 totalled 7.2 million dollars.

On top of these, the bank also approved seven technical assistance grants for regional activities amounting to 1.1 million dollars.

The ADB also made a 746,000-dollar supplemental equity investment to the private sector in India during this year's first quarter.

US plans 6.20 lakh summer jobs

WASHINGTON, June 17: The Clinton administration will create 620,000 summer jobs and ask private employers to provide another 330,000 for youth to earn a paycheck while learning workplace skills, Labour Secretary Robert Reich said today, reports Xinhua.

The administration will spend 908 million dollars to create 623,000 jobs for poor youth from age 14 to 21 who live in communities with high rates of unemployment.

The Labour Department said half of these young people will participate in programmes that emphasize the connection between education and employment and thereby improve their chances of economic success.

Through the private sector programme, summer works, let it work for you," the department is asking private business to create at least 330,000 summer jobs, a ten

per cent increase over last year's goal.

The department said some business leaders predict the actual number could be much higher.

"We want young people to see the relationship between school and work by linking classroom learning with on-the-job learning," Reich said.

The department also plans to provide educational services to at least 50 per cent of youth participating in the public sector programme. In addition to working, these young people will attend classes or receive special counseling to help them avoid the decline in students' reading and match levels common over the summer months.

"We can improve both the quality of the future workforce and the employment prospects of young Americans," said Assistant Secretary of Labour Doug Ross. "Rewarding good

performance at school and on the job reinforces the connections between the two."

Typical public sector jobs include: clerical positions, maintenance work, park and recreation work, aiding the elderly and tutoring and assisting at day care centers. Participants can earn between 1,100 and 1,400 dollars for the summer.

Saudi emergency
help to Gaza

WASHINGTON, June 17: Saudi Arabia Wednesday gave 30 million dollars in emergency help to the West Bank and Gaza Strip, the World Bank said, reports Reuters.

The money will be used to help finance a 128 million dollar project to rebuild vital infrastructure, including roads and power stations.

Wages in Hong Kong rocket
five times for high inflation

HONG KONG, June 17: The West is calling for a worldwide minimum wage to level the trade playing field, but it may well be advised to consider Hong Kong's increasing economic troubles, which experts say are largely due to a rising wage bill, reports IPS.

Economists here say Hong Kong's experience is a glaring example of how rapidly ballooning paychecks can threaten the ability of newly industrialised countries (NICs) to maintain their hard-won economic gains.

In the past five years, wages in Hong Kong have rocketed almost five times due to high inflation, fueled by an acute labour shortage and a brain drain of professionals who are emigrating as its 1997 handover to China approaches.

Economists believe such wage bills have long affected Hong Kong's competitiveness and has severely cut into its domestic trade. They say it has kept its head above water only because of its premier position as management, financial and trade centre for China operations as the mainland's giant economy opens up.

The Hong Kong government tries to boast that the colony has risen from being the world's tenth largest exporter just a few years ago to the present eighth on league tables put out by the General Agreement on Tariffs and Trade (GATT).

But economists say this hides the real situation since Hong Kong is allowed to count reexports from China in its trade figures. The colony and Singapore are the only two en-

titles in the GATT league that includes domestic exports and re-exports.

Says Hong Kong General Chamber of Commerce Chief Economist Ian Perking: "This puts them both in the very special position of being able to count what are really other people's exports in their own total trade amount."

Hong Kong factories have relocated en masse to low-wage Chinese province. But their exports through Hong Kong are counted as the colony's own, boosting its trade figures.

Hong Kong has been protected from western competition in China where it has been able to get into joint ventures to produce for the market there before western nations. More than 80 per cent of foreign investment in China is from Hong Kong.

But for the industries that have remained behind, Hong Kong government figures show that the colony's domestic exports recorded a drop in almost all categories.

Exports of radios fell 62 per cent in volume this January compared to the same month last year. The volume of footwear was down 39 per cent while watches and clocks, the other main Hong Kong export, declined 11 per cent from last year.

Meanwhile, despite the advantages in staying here, firms aiming for traditional western markets and using Hong Kong as their Asian base are finding the growing wage bill a major challenge. Even the colony's airline Cathay Pacific and the Hong Kong Bank have re-

located services to China to cut their wage bills and remain competitive in the face of rival western countries. Many other companies are contemplating a move elsewhere.

In a recent government survey of corporate headquarters, almost 40 per cent cited Hong Kong's rising labour costs as a negative factor, with 66.5 per cent saying it had worsened in the last year. Some 22 per cent said Hong Kong's attractiveness as a base had slipped.

According to the Hong Kong General Chamber of Commerce, wages here are now twice those in Singapore and at least three times that of Malaysia and Thailand. They have overtaken many EEC countries and are now comparable to the most advanced countries.

In July 1992, the total payroll of Hong Kong's private sector amounted to US 2.3 billion dollars, says the Chamber. This has since increased to more than US 2.6 billion dollar while the size of the workforce has remained about the same at 2.8 million people.

Executive salaries here have risen at least 50 per cent higher than those in Britain, Hong Kong's colonial master. If perks such as housing and children's education are included, managers in Hong Kong earn three to four times the equivalent British wage.

The increase in labour costs is not just for the managerial and professional classes. In the financial services, wages rose 31 per cent between mid 1992 and mid 1993.

Japan's trade surplus narrows 15.9 pc

TOKYO, June 17: Japan's trade surplus narrowed 15.9 per cent from a year earlier to 6.5 billion dollars in May as its imbalance with Asia shrank for the first time in more than two years, the finance ministry said today, reports AFP.

The decline in the surplus, down from 11.1 billion dollars in April, was the first in six months and the steepest in three and a half years, reflecting the growing impact of the strong yen on import growth.

Imports from Asia were particularly strong, growing twice as fast as imports from the United States and the European Union, buoyed by a surge in Japanese purchases of office equipment and semi-conductors from neighbouring countries.

The ministry also noted

that in yen terms, the trade surplus declined for the fourth consecutive month, signalling the emergence of a definitive trend.

"Import growth from the higher yen is beginning to show very clearly and is becoming very conspicuous," a ministry official said.

But the official noted the May figures were partly distorted by a series of holidays stretching from late April to early May as exporters which had rushed to ship merchandise before the extended break eased off in May.

As exports grew a modest 4.2 per cent to 28 billion dollars, imports expanded at a much faster pace of 12.3 per cent to reach 21.5 billion dollars, a record for May and the sixth-highest level ever, the

ministry said.

Japan's trade surplus with Asia narrowed 0.5 per cent to 4.03 billion dollars, the first decline in 25 months.

Exports to neighbouring countries jumped 11.9 per cent to 11.0 billion dollars and imports from the region leapt 19.8 per cent to 7.1 billion dollars, mainly reflecting sharply higher imports from China followed by South Korea, Indonesia and Taiwan, imports from Australia were also strong.

The politically-sensitive trade surplus with the United States grew 7.5 per cent to 3.04 billion dollars, the third increase in a row. Exports to Japan's biggest trading partner climbed 7.8 per cent to 8.05 billion dollars and imports from the country rose 7.9 per cent to 5.01 billion dollars.

Budget follows zero-sum game principles

By Abu Ahmed

Guest Columnist

The budget for the 1994-95 fiscal year was announced in the first week of this month. As usual, it showed a big deficit in the overall income-expenditure schedule which was filled up by the resources from outside in the form of foreign aid and grants. In the revenue budget — the main source of domestic resources — a surplus of Tk 3689 crore was shown as against the same to the amount of Tk 3035 crore in the previous fiscal year. The surplus generated from the revenue budget or from the internal source only covered slightly more than the one-third of the total outlay of the Annual Development Plan (ADP) which was to be Taka 1100 crore for the 1994-95 fiscal year. This shows our limitation — limitation to supply the major part of the resources to the ADP from the internal source.

Naturally, an economy which depends for two-third of the resources it outlined to be spent in the ADP on the foreign source, it can not claim to be healthy. How to overcome this situation? One option can be, to raise more taxes and divert the so raised income to the development budget. But this option, though plausible, is not comfortable, as more tax will raise the cost of products and also take money away from the private use. While private use of money is much better in terms of efficiency, there is hardly any justification to argue for the public use of the same money through enhanced taxation.

The second option, and the most desirable one, is to generate more surplus in the revenue budget which only can be done through the cutting of the size of the govt. Revenue expenditure soared in

Bangladesh under the public sector from the increasing growth of the size of the govt. At present, about 11 lac employees — from peon to secretary — are under the public sector who are paid full in the form of salaries and wages from the revenue income. The pertinent question should be asked: Do we need eleven lac employees for the goods and services the govt is turning out now to the people? Can't we perform the same with much less employees? Investigation will show, a large number of employees who are drawing wages and salaries are really unemployed. They are so as they remained without full-capacity jobs. In economics, such unemployment is termed as 'under employment'.

Knowingly in Bangladesh,

we are nursing underemployment. If one-third of these employees are sent on retirement, or in some way can be induced to retire, there is no likelihood of a fall in production under the public sector. Then why we are unnecessarily burdening our revenue budget by paying them wages and salaries? Simply the govt is either not aware of the problem or is afraid of doing anything in this regard lest it should lose the so called popularity. Had the government of Bangladesh been smaller by one-third compared to what it is now, it could have saved up additional Taka 3000 crore in the revenue budget. This Taka 3000 crore when added to the allotted ADP's size of Taka 11000

crore would raise the same to Taka 14000 crore. Even Taka 14000 crore in the ADP is not enough to attain six per cent growth rate in the economy. Our limitation which is not told widely is that we do not or cannot spend what is needed for the targeted growth rate of six per cent per annum. Last year too, the govt very optimistically announced six per cent growth rate in the GDP, and we cast doubt in this column about attainability of that target given the size of the ADP in that year which was to the amount of Taka 9750 crore. This year in the budget speech, the Finance Minister admitted that the economy did not grow at six per cent in the FY 1993-94, rather grew at

less than five per cent. This year too, though there is reason to do better, the economy can not grow at six per cent with the budgeted-ADP allocation. Taka 16000 to 18000 crore is needed to achieve the target of six per cent growth rate in the economy.

The money can not be a problem provided we can cut the size of the govt, and save up also the losses in the state-owned enterprises. We are losing Taka 2000 crore annually in them. In some senses, 54 per cent of the revenue surplus which the government could have shown in the revenue budget will be required to finance losses in the state-owned enterprises. These are the reasons why Bangladesh economy is not charting out

the expected course of development overtime. No amount of foreign aid will help us to achieve our target, unless we ourselves do not put the thing in right order at home. We have now 2.8 billion dollar in reserve with the central bank. Foreign aid will no longer come cost free. Foreign lenders will eye on our reserve position and bargain for the cost against the fund they will provide. Already, as the Minister said, Bangladesh has been paying 400 million dollar as debt-service p.a. This will go up as more foreign debt matures, and this will reduce our option unless economy grows, and we earn more from outside. It is easy to see faults with the budget, but when limitations are known, the criticism become rational.

About the tax, it is always an unwelcome phenomenon. If tax is not to be paid by one group, it is to be paid by the others. Similarly if tax reduction helps some, it hurts the others. There is no way that a budget satisfies everyone. The budget which tries to satisfy everyone is the worst of all. To remain popular with everyone means bluffing at the highest order.

A budget follows a zero-sum game principles, meaning one's gain is another's loss. The budget for the year 1994-95 is aimed at liberalising our economy further, in that respect we should welcome it. Full cycle of economic reform is needed, otherwise benefits from the whatever reform till now taken place will not be felt.

This budget, and the coming budgets, we expect, will lead to the full cycle of reform in the Bangladesh economy.