The Daily Star
BUSINESS
DHAKA WEDNESDAY, AUSGUST 3, 1994

Country's sweater industry yet to tap Euro markets

By Inam Ahmed

Country's sweater industry, though witnessing a big leap in recent years, is still awaiting a vigorous marketing in the consumer world — mainly Europe.

More and more sweater industries are being set up here, but entrepreneurs feel the potential is enormous that needs to be tapped.

In 1993-94, the sector earned 10.38 million US dollars through export of sweaters, according to Export Promotion Bureau (EPB) statistics. However, the previous year's was not in the EPB record because the volume of export was small.

According to industries sources, there is about 60 sweater industries most of which were set up during last couple of years, engaged in exports.

Shamsuddin Ahmed, Managing Director of Polar Sweaters Ltd told The Daily Star that the foreign buyers still are not fully aware of the fact that Bangladesh can offer good quality cheap-priced sweaters. "The entrepreneurs are striving to market their own products," he said adding "We expect that in six months time, our potentials will be known worldwide and the export will increase."

Mazed Khan, the Managing Director of a planned industry, Panache Knitted Creations Ltd, said Bangladesh is mainly enjoying the market of South Korea which is facing problems in sweater exports because of increasing labour cost. Khan's project will cost Tk two crore, half of which will be spent for buying machinery.

"The market is big, we presume," said Brig (Rtd) Shafat Ahmed, PSC, another entrepreneur. But we have to go for better products with yarns between 10 and 12 gauge instead of the presently marketed five to seven gauge products, he said. We must understand that the market for sophisticated products is very lucrative, he added.

The market for Bangladeshi sweater till now is mainly the European Community (EC) countries, the USA and Canada.

EPB figures show that 1.4.1 million US dollar worth of sweaters were exported to Canada, 4.11 million dollars to the USA, 1.40 million dollars to France and 1.42 million dollars to Germany, during the last fiscal year.

Export to the USA and Canada are regulated by quota system but the European market is still free and Bangladesh also enjoys GSP facilities in the European Community.

"This is a big help for us," says Shahadat Hossain, Chairman of Pacific Associates Ltd a knitting machinery supplying firm here.

"India, Pakistan and Sri Lanka which could be our competitors are bound by quota system even in the EC.

"Taiwan, China and Indonesia are our main competitors in sweater export," said Shamsuddin Ahmed. "we need government support for a vigorous tapping of the market to outplay them. We are sure the market will be as promising as the garment sector."

"The yarn for sweater is not produced here and that puts our industries to tough competition with other exporting countries, said Brig (Rtd) Shafat.

However, the country's first yarn manufacturing unit is under process of being set up by one of the leading sweater manufacturing group in the country that will hopefully meet a big chunk of the demand.

Site selected for Int'l Trade Fair '95

A high-level meeting on Organising International Trade Fair 1995 was held yesterday at the conference room of Commerce Ministry with Commerce Minister M Shamsul Islam in the chair, reports BSS.

Considering the related facilities, the meeting selected the open space of south side of Planning Commission in Sher-e-Bangla Nagar as the site of this fair to be held from January 7 to 21 next year.

Commerce Minister said to expand the volume of trade through exposing our products, it was a must to make the fair successful.

He urged the concerned bodies and committees to perform their respective duties in a challenging attitude.

Among others Commerce Secretary AH Mofazzal Karim was present.

Oil cos seek protection in Nigeria

LAGOS, Nigeria, Aug 2: Hundreds of hoodlums looted shops and chased police with machetes Monday, the start of the fifth week of strikes aimed at toppling the military government, reports AP.

The riots and raids on shops in Lagos were part of the escalating chaos in this nation of 90 million people, where an oil strike has blossomed into a huge protest against the authoritarian regime of General Sani Abacha.

Police initially fled the thugs rampaging through the main business district, where most offices and shops were closed because of transportation and fuel problems caused by the oil strike.

Officers returned with tear gas and battled rioters for several hours. There were no figures available on injuries or arrests.

Nigeria has been buffeted by student riots and widespread strikes since the military imprisoned Moshood K O Abiola, who apparently won the June 12, 1993, presidential election. The military annulled the results while votes were still being counted.

Abiola, a business tycoon, was charged with treason and put on trial after marking the first anniversary of the election by declaring himself the president.

Rank-and-file oil workers went on strike in protest on July 4, triggering a series of labour walkouts. The huge National Labour Congress, which represents 41 unions and 5 million workers, plans to join the strike Wednesday.

The Royal Dutch Shell Group, the biggest oil producer, acknowledged last week that the strike had cut deeply into production and said it feared threats of violence against the contractors brought in to fill in for the strikers.

The Business Times newspaper said Monday that Shell, Chevron, Elf and Mobil have asked the military government for "urgent protection" from sabotage.

Shell denied the report and a spokesman in New York, Michael Sternesky, said the company is "not looking for them to get involved at this time."

Chevron, based in San Francisco, and Elf Aquitaine, based in France, could not be reached immediately. A Mobil spokesman in suburban Washington, John Lord, said he could not confirm or deny the report.

Schlumberger Ltd, the international French oil services company, said Monday it was evacuating non-key staff and dependents from Nigeria because of the unrest. Schlumberger hasn't experienced any damage to its equipment or attacks on personnel, an officials said on condition of anonymity.

Union officials have threatened to carry out a campaign of sabotage against the oil companies unless they cease production and support the strike. Nigeria gets 90 per cent of its foreign revenues from petroleum exports.

Abacha, one of the most unpopular and iron-fisted leaders in recent Nigerian history, took power in a November coup and has since jailed his opponents, closed newspapers and dissolved all elected institutions.

Induction course for AB Bank officers ends at BIBM

A month-long Induction Course for the 7th batch of Probationary Officers of Arab Bangladesh Bank Ltd was concluded at Bangladesh Institute of Bank Management in the city yesterday, says a press release.

The course was jointly conducted by BIBM and AB Bank Ltd.

A total of 38 Probationary Officers were imparted training on basic banking techniques, laws and practices, accounting, and foreign exchange transactions.

Eminent bankers and senior faculty members of BIBM conducted different sessions of the Course.

A H M Nurul Islam Choudhury, Director General, BIBM, presided over the concluding session while M A Awal, Deputy Managing Director of A B Bank Ltd attended the function as chief guest.

In his speech Choudhury expressed the hope that exposure to the knowledge about tools and techniques of banking received by the participants would enable them to perform their challenging responsibility in their banks with dynamism and professional efficiency.

Awal, in his speech, thanked BIBM for its cooperation in successfully conducting the course hoping, the course would contribute to developing skills and knowledge for smooth and efficient functioning of bank services.

He also distributed certificates to the trainees.

ATM Abdus Shahid and Atiar Rahman Mollah, Faculty Member of the Institute, coordinated the Course.

Mir Mohammad Nasiruddin, Chairman, Janata Bank, seen handing over a cheque yesterday in the city for Taka two lakh fifty thousand to the widow of Ali Ahmed, Manager of Chawkbazar branch of the bank who was shot dead on November 17 '91 while on duty. Jalilur Rahman Chaudhury and ABM Shafiul Alam, Managing Director and General Manager respectively of the bank also seen in the picture.

US, Canada reach accord on wheat dispute

WASHINGTON, Aug 2: US and Canadian negotiators have called a truce in a brewing trade war by agreeing to limit Canadian wheat shipment into the United States, reports AP.

The one-year deal would force a "substantial reduction" in Canadian wheat shipments to the United States, US Trade Representative Mickey Kantor said Monday in a statement.

Kantor refused to release specific figures until the agreement was reviewed Tuesday by the Cabinet of Canadian Prime Minister Jean Chretien.

However, sources familiar with the negotiations said the accord would impose heavy tariffs on Canadian wheat shipments above 1.5 million metric tons.

In the last 12 months, Canada shipped nearly 2.5 million metric tons of wheat into the United States. American farmers charged that unfair Canadian government subsidies had allowed farmers in that country to rob US farmers of millions of dollars in sales.

The dispute centred on durum wheat, grown primarily in Montana and North Dakota, which is used for making pasta.

Pasta producers had urged the White House to refrain from imposing restrictions on Canadian wheat shipments, saying the high tariffs would raise prices to US consumers.

They argued the 64 per cent jump in wheat shipments from Canada over the past year was a temporary phenomenon related to massive flooding last year in the American farm belt.

Farm state lawmakers, who had pressed for limits on Canadian wheat, generally supported the deal.

Iran's gigantic petrochemical complex starts operation

TEHRAN, Aug 2: A gigantic petrochemical complex with an annual production capacity of 3.5 million tonnes opened in southwestern Iran on Monday, Tehran radio announced, reports AFP.

Bandar Khomeini Complex, the largest ever built in Iran, is expected to raise the country's total petrochemical production to eight million tonnes a year by 1995, compared to six million in 1993-1994, it said.

President Ali Akbar Hashemi Rafsanjani is expected to officially inaugurate the complex on the northern Gulf.

More than 4.5 b[illegible] dollars have been invested in the project, launched jointly in 1976 by the state-owned National Pe[illegible]chemical Company (NPC), the Iran Chemical Development Company and the Japanese firm, Mitsui. Work on the complex was suspended in 1984 because of the 1980-1988 war with Iraq.

BASF President meets Industries Minister

The President of BASF, one of the world's largest German chemical company, South East Asia regional headquarters in Singapore, H Becks, called on Industries Minister AM Zahiruddin Khan at his office yesterday, reports BSS.

During the meeting, they discussed the possibilities of setting up of a fertilizer, agricultural chemicals, pesticides sector particularly in the paper making chemicals and leather sector in joint venture.

They also discussed setting up of joint venture project in the pulp and paper sector.

Becks expressed his willingness to expand BASF's investment in Bangladesh. He showed keen interest to send a technical team of BASF to Bangladesh to study possibilities of setting up joint-venture projects.

AIDS threatens Asia's rapid economic growth

MANILA, Aug 2: AIDS is threatening to derail Asia's rapid economic growth and could have a severe and long lasting impact on the region's economies, an Asian Development Bank (ADB) official said here today, reports AFP.

ADB economist Myo Thant, told a regional conference here that just a decade after the aids was first detected in the region, about one million Asians now carry the human Immune-Deficiency Virus (HIV), which leads to the deadly and incurable Acquired Immune Deficiency Syndrome (AIDS).

"The economic impact of this epidemic on Asian countries is potentially severe and long lasting," an ADB statement quoted ADB Vice President Peter Sullivan as saying at the opening of the meeting.

"Alongside great human misery, the epidemic can cause major economic problems as a result of spiralling morbidity and mortality which lead to a decline in labour productivity and the destruction of human capital assets."

The epidemic will also require greater expenditure of resources on preventive and medical care facilities, Sullivan said.

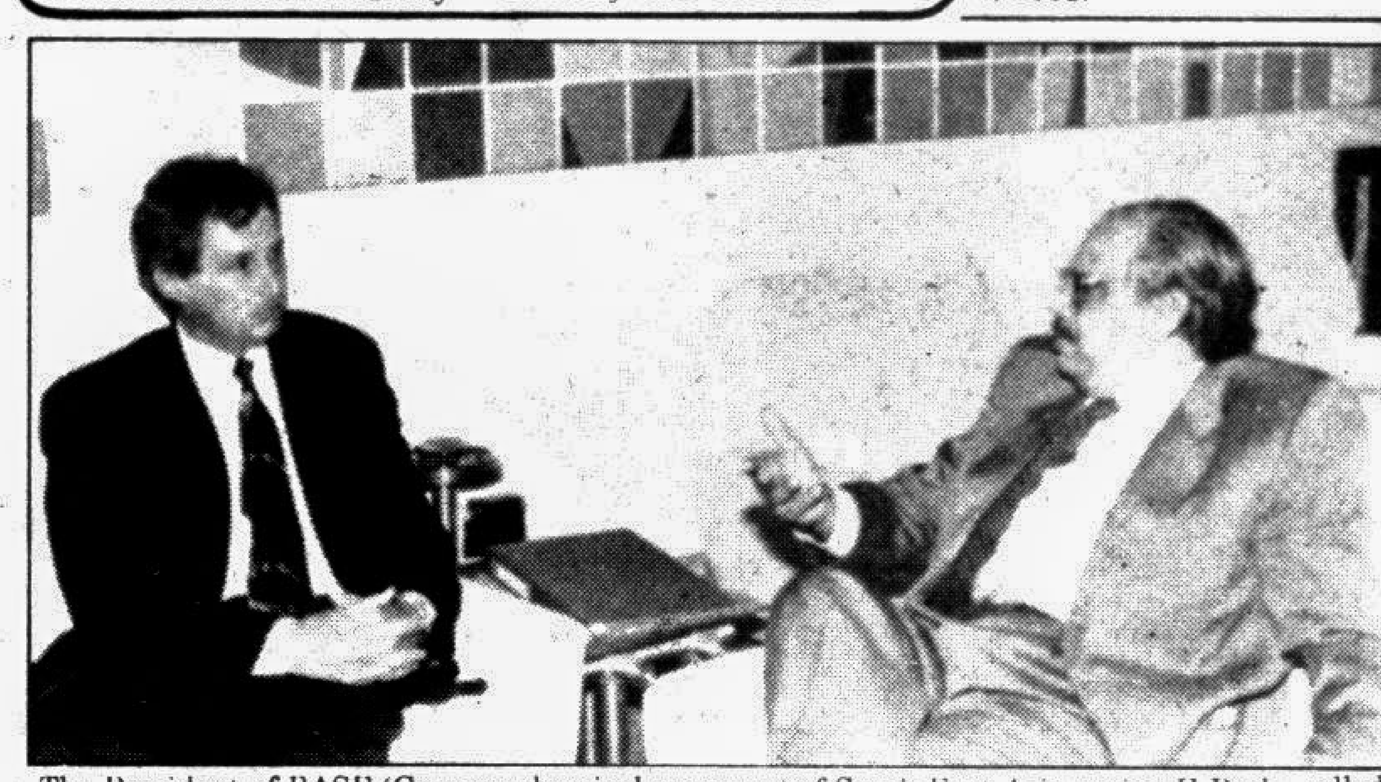
He described the epidemic as "the enemy of the 'Asian promise.' It threatens much of the progress that has been made over that past two decades and endangers economic growth in countries that have only recently been able to institute growth-enhancing economy wide reforms."

Germany's trade surplus last year revised

WIESBADEN, Germany, Aug 2: The Federal Statistical Office revised upwards the figure for the German trade surplus last year by 1.8 billion marks to 60.966 billion marks (38.6 billion dollars) on Monday, reports AFP.

Revising provisional figures which had been published in February, the office said that exports had amounted to 628.5 billion marks which was 24.6 billion marks more than had been calculated, and imports had risen by 22.7 billion marks more than had been initially reported.

The offices said that the revision was significant because of difficulties encountered in calculating trade within the European Union since the establishment of the single European market on January 1, 1993.



The President of BASF (German chemical company) of South East Asia region H Becks called on Industries Minister A M Zahiruddin Khan at the latter's office yesterday. — PID photo

IFC okays $ 20m equity investment in China

WASHINGTON, Aug 2: The International Finance Corporation (IFC), the World Bank affiliate that lends to the private sector, has approved an equity investment of up to 20 million dollars in the China Dynamic Growth Fund, LP, an offshore venture capital fund that will invest in unlisted companies in China, says a USIS press release.

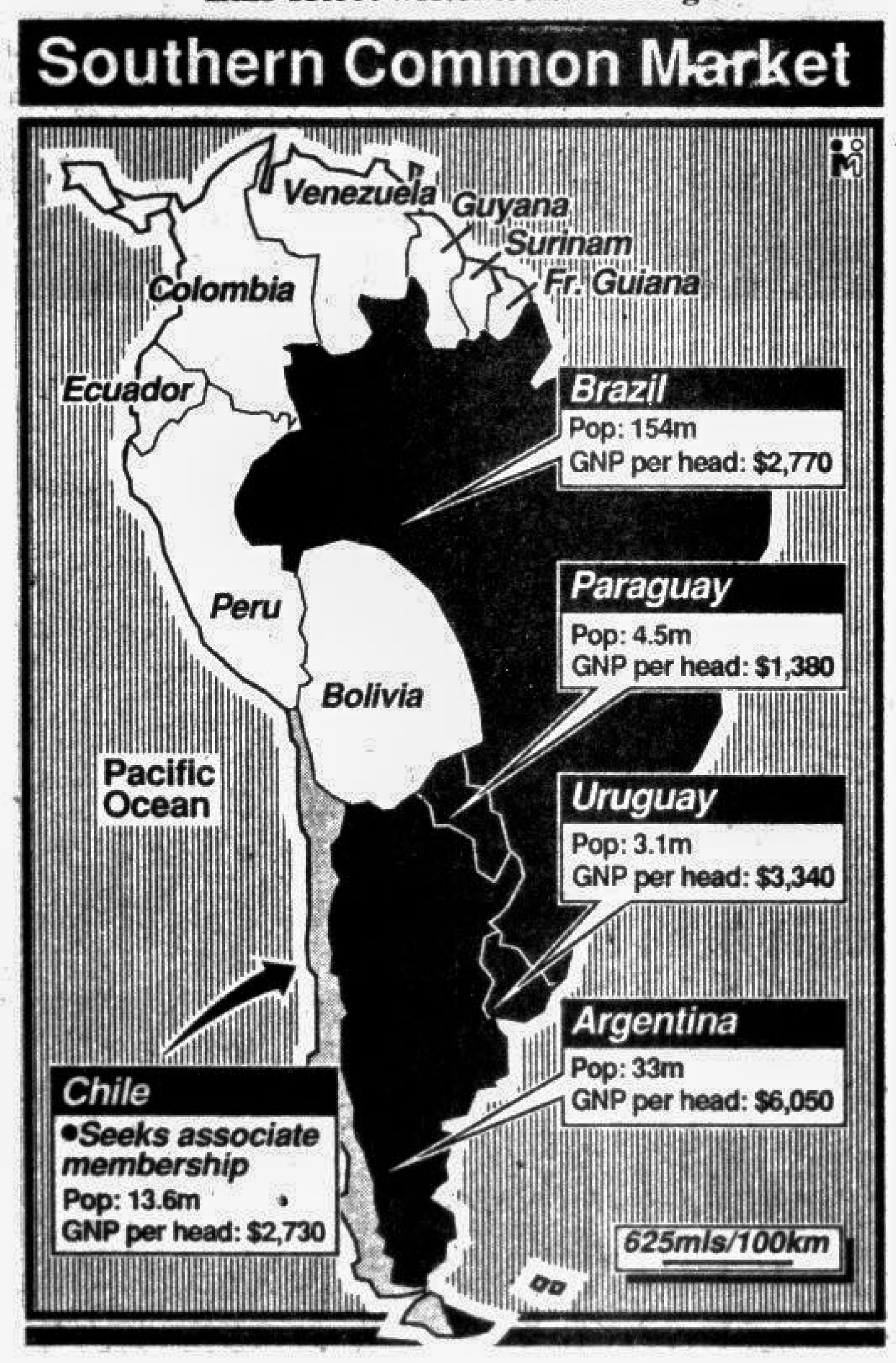
IFC said on Monday the fund is expected to raise 200 million dollars for investment in enterprises that require capital to restructure into private corporations. The fund will target enterprises engaged in light manufacturing, consumer products, services, infrastructure, distribution, and retail.

IFC said the general partners sponsoring the fund are Aetna Life and Casualty, one of the largest insurance and financial service companies in the United States, Bank of China Trust and Consultancy Co., the investment arm of the Bank of China, H & Q Asia Pacific Ltd, an affiliate of the San Francisco-based Hambrecht & Quist Group, and Silvercrest International Company, a private Hong Kong holding company.

This is IFC's second investment in a venture capital fund in China. In 1993 IFC invested 7.5 million dollars in the China Walden Venture Fund.

Dream of Southern Common Market still on the agenda

Luis Tricot writes from Santiago



Even a spat between Argentinian President Carlos Menem and Brazil's Itamar Franco cannot stop the global trend towards trading togetherness.

Europe has its Union; Canada, the United States and Mexico have their agreement; South East Asia has its association; and in July the new Association of Caribbean States was hailed by Cuban Foreign Minister as "the fourth most important regional bloc on earth."

And Mercosur — the Southern Common Market, comprising Argentina, Brazil, Paraguay and Uruguay, which wants to establish a free trade zone in the region by 1995 — is about to hold its eighth summit.

First it had to negotiate the offence caused by Menem's reaction to a demonstration against his economic policies: "I wonder how many marches like this would have to be organised in Brazil, where the minimum wage is half what an old-age pensioner gets in this country."

Brasilia was offended and Franco said he would not go to Buenos Aires for the Mercosur meeting "unless Menem changed his discourteous attitude." Menem did, Franco will and on August 5 the two will meet along with the leaders of Paraguay and Uruguay.

The meeting will be dominated by the much-debated issue of a common external tariff (CET), aimed at foreign goods entering the Mercosur area and a prerequisite for the eventual setting up of a unified customs system. Uruguay and Paraguay favour relatively low tariffs, whereas Brazil and Argentina favour high tariffs in order to protect their more developed industrial sectors.

Paraguay's deputy minister for integration, Ruben Madlala, claims that "such protectionist attitudes do nothing but harm and hinder the future development of Mercosur's minor partners."

Failure by the assembled presidents' to settle the issue would set back the free trade zone target.

Following in the formation of the grouping in 1991, with a combined population of almost 200 million, trade between the four countries has increased from 3 billion dollars to 8 billion dollars, mainly as a result of a freer flow of goods, services and capital.

Tariffs have been gradually been reduced and are expected to be abolished entirely by the end of this year. But about 100 Paraguayan and 200 Uruguayan products will be exempt, in light of those countries' lesser industrial development.

Despite the apparently unstoppable momentum towards a Latin American trading bloc, it has its critics. Uruguayan journalist Guzman Diaz sees the creation of a free trade zone as designed to "to facilitate the operation of large trans-national corporations, so that they can continue making huge profits in a more efficient way."

He admits that Mercosur's neo-liberal model has helped reduce inflation and attract foreign investment, but points to severe social consequences. In Argentina, for example, inflation was brought down from an astonishing 5,000 per cent a year in 1989 to a mere 3.4 per cent in the last 12 months. But the unemployment rate stands at 11 per cent, or 1.3 million unemployed people.

In Brazil, where inflation stubbornly stands at 40 per cent a month and income distribution patterns are skewed in favour of a tiny percentage of the population, the dream of a common market has more to do with the economic interests of a privileged minority than the needs of the majority.

But Mercosur is an important economic and political actor. Chile wants to join as an "associated member," enjoying preferential treatment without the responsibility of adhering to an eventual CET.

Sergio Abreu, Uruguay's Minister for Foreign Affairs, opposes the move. "Chile should become a full member and abide by the rules like everybody else, or not join at all," he says.

Neither is likely to happen and Chile expects to see "associated" membership following the summit. Brazil and Argentina are aware that Chile is likely to become the next member of the North American Free Trade Agreement (NAFTA) and their desire to curry favour with other nations hoping to join NAFTA should guarantee Chile membership of Mercosur.

Chile is also seen as way for Latin America to get into the economically booming world of the Pacific rim nations.

Chile, in turn, is interested in Mercosur's recent negotiations with the European Union, because its trade with Europe has decreased in recent years.

The Treaty of Asuncion that ushed Mercosur into existence set December 1994 as the deadline for the end of its transitional period. With only a few months to go, transition has a permanent air. Still to come are the establishment of permanent institutions: a commission, likely to resemble the European Commission, and a tribunal to settle disputes between member countries.

However slow the progress, the dream of a free trade zone from "Alaska to Tierra del Fuego" espoused by the United States, appears to sit comfortably in the minds of the four Mercosur leaders. — *Gemini News*

(Luis Tricot is a Chilean journalist writing and broadcasting on Latin American affairs.)

Price of Brent crude soars to $19 per barrel

LONDON, Aug 2: The price of Brent crude North Sea oil soared briefly to 19 dollars a barrel early on Monday to the highest level since May 1993, on fears that a crippling oil workers' strike in Nigeria could escalate, dealers said, reports AFP.

Contracts for September delivery rose to 19.00 dollars a barrel by mid morning on the International Petroleum Exchange, compared with 18.59 dollars at the Friday close, later dipping back to 18.92 dollars.

The Nigeria Labour Congress (NLC) last Friday threw its weight behind the action of the oil workers, calling on workers throughout the federation to begin an indefinite "sit-at-home" strike starting Wednesday.

One analyst at Hore Govette said prices could rise "a further one to one and a half dollars if the situation in Nigeria degenerates into civil war", but "could fall back to 18 dollars a barrel if a compromise is reached."

Nigeria is the world's fifth-largest producer, churning out some two million barrels of oil a day.

Nigeria's powerful oil and gas union, NUPENG and its sister union, the Petroleum and Natural Gas Senior Staff Association have been on strike for over four weeks, nearly paralysing the country.