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Pakistan, UAE to speed up work on under-sea gas project

DOHA, Aug 18: Pakistani Prime Minister Benazir Bhutto said yesterday Pakistan and Qatar had agreed to speed up work on a project to build a natural gas pipeline under the sea between the two countries, reports Reuter.

"The Emir of Qatar, Sheikh Khalifa Bin Hamad Al-Thani agreed that the work on this vital project should be taken up seriously," Bhutto told a news conference at the end of a three day official visit to the Gulf Arab state.

The project, initiated by United Arab Emirates-based Crescent Petroleum Company, envisages building an under-sea pipeline 1,600 km (1,000 miles) long, which will carry 1.6 billion cubic feet (45 million cubic metres) of Qatari gas a day to Pakistan.

The project, due to cost 3.2 billion dollars, is being run by a private sector consortium of Crescent, TransCanada Pipelines Ltd and Brown and Root Inc, a unit of US firm Halliburton Co.

It is one of several similar plans being considered by Gulf states with gas resources, including pipelines under the sea to India from Iran and Oman.

Qatar's role will be to build facilities and sell gas to feed the pipeline from the offshore gas fields of state-owned Qatar General Petroleum Corporation (QGPC), a source close to the project told Reuters recently.

The pipeline, due to come on stream in 1999, would supply a third of Pakistan's projected gas needs, the source said, other Gulf states like Iran and the UAE could choose to link up to it later if they wanted to.

"If materialised, this will be a historic project and the first gas pipeline in the region, which will set precedents for similar projects," Bhutto said.

She said Pakistan would guarantee the purchase of gas supplies from Qatar and added that Qatari Energy Minister Abdullah Bin Hamad Al-Attiyah will visit Pakistan "shortly to discuss various aspects of the project".

It was not immediately clear if the two states had signed any formal agreement on the pricing of the Qatari gas.

The three member firms of the consortium will raise 75 per cent of the financing for the project through loans and provide the rest themselves in the form of equity. Brown and Root is also acting as consultant for basic engineering work.

The source said the consortium hoped to raise the financing by the end of 1995. Construction could start soon afterwards.

TransCanada and Brown and Root joined the project in April. TransCanada said its stake would be 25 per cent of total equity. Figures for the other two firms' stakes were not available.

Trade fair in Korea from Sept 27

By Staff Correspondent

Korea Trade Centre in Dhaka is arranging a business tour for Bangladeshi Traders to the forthcoming Seoul International Trade Fair, SITRA '94, according to a press release.

Interested companies have been requested to contact the Korea Trade Centre in Dhaka at 14, Kamal Ataturk Avenue at Banani.

The Korea Trade Centre said since its inception twelve years ago, the biennial event has won favourable response worldwide, largely because of its concentration on both quality and diversity in keeping with the SITRA tradition.

Korea Trade Promotion Corporation (KOTRA), is organising this year's event which will be held at the Korea Exhibition Centre (KOEX) in South Korea from September 27 through October 1.

At SITRA '94, more than 1000 domestic and foreign participants will display their products. "With special emphasis giving to the development of new technologies, SITRA '94 expects to serve as an effective venue for the exchange of innovative ideas and establishment of mutual beneficial business relationship," the press release added.

One of the unique characteristics of SITRA is that it provides the ground for concurrent events, including the Seoul International Gift Fair (SIGIFT '94), Seoul International Fashion and Jewelry and Accessories Fair (ACCESS '94), the Seoul International Toy Fair (SITOY), Jewelry and Watch Fair (JEWELEX '94) and office Furniture and Facility Fair (IOFFA '94) so that specialised manufacturers can gain a firmer market.

US House okays $264b defence budget despite objections

WASHINGTON, Aug 18: The House of Representatives approved on Wednesday a 264 billion dollar defence budget despite objections from Conservatives that it would barely meet US military needs, reports AFP.

The House approved a 2.8 billion dollar increase in defence spending, but once adjusted to inflation, that translates into a cut of just under one per cent, the tenth consecutive real decline in defence spending.

"The defence budget is headed toward post-World War II lows," said Republican Floyd Spence from South Carolina. Republican Gerald Solomon of New York charged that the bill was pushing the United States towards "unilateral disarmament."

Liberals shot back and argued the cuts were warranted by the demise of the Soviet Union.

"The Cold War is over. The Berlin wall is down," said Democratic Congressman Ronald Dellums of California.

"It is very difficult for some of us to march into the future boldly," he added.

Most of President Bill Clinton's requests for military spending were granted including authorisation for another aircraft carrier, three guided missile destroyers and six C-17 airlifters.

The bill also provides funds for a new attack submarine, the F-22 fighter, a marine corps V-22 tilt-rotor troop carrier, and a new reconnaissance helicopter for the army.

Lawmakers rejected Clinton's request for 300 million dollars for United Nations peacekeeping operations and included language that encouraged Clinton to defy the international arms embargo over Bosnia.

The budget targets 3.5 billion dollars for defence conversion, an increase of almost one billion dollars over this year, and provides for pay raises for the military of 2.6 per cent, more than Clinton sought.

The measure also authorises 25 million dollars for a study of future bomber requirements and 100 million dollars for the Pentagon to keep specialised bomber subcontractors going.

Artificial fabrics trade show ends

A two-day artificial fabrics trade show concluded at a local hotel yesterday, reports UNB.

The trade show was jointly sponsored by PT Indonesia Taroko Textile Corporation and its local agent, Nitol Group, said a press release.

The Indonesian company, which produce nylon and polyster fabrics, was offering in Bangladesh market, special fabrics like Nylon Taffeta, Nilon Tribolan, Nylon Oxford Polyster Ponzee and Polyster Taffeta, it added.

Desmond Quiah, Country Manager of DHL Worldwide Express, seen speaking on "Role of Air Express Industries in National Development" at Rotary Club of Dhaka Central recently.

Vice-President of KLM due today

K B F Steller, Vice-President and Area Manager for Middle-East and South Asia of KLM Royal Dutch Airlines, arrives in Dhaka today, says a press release.

He will be accompanied by F Swaving, Director, Foreign Relations and Cooperation of KLM. Later, on August 22, they will be joined by G W Boven KLM's General Manager for the Region.

During their stay in Dhaka, Steller and his team will meet Civil Aviation and Biman officials and discuss various issues in connection with the commencement of KLM flights to Dhaka from October 30 this year.

They are also expected to attend the KLM's top ten agents certificate giving ceremony to be held on August 23.

Meanwhile, KLM has announced the appointment of Cees Ursem and Murray Fox as KLM's general manager and station manager respectively for Dhaka.

US seeking Japanese concessions in trade talks

TOKYO, Aug 18: US Trade Representative Mickey Kantor said Thursday that the United States is seeking Japanese concessions to solve longstanding trade disputes between the two countries, reports AP.

In a televised interview with Japan Broadcasting Corp. (NHK), Kantor said Japan should reduce its huge external trade surplus by opening its market to more foreign products.

Japan's trade surplus with the world stood at 120 billion dollars in 1993. Nearly half that amount was with the United States.

Kantor, speaking via satellite from Washington DC said the US wants and agreement on measures to assess improvements in market access.

Foreign Minister Yohei Kono, speaking in Tokyo, said that Japan will not accept quantitative targets that lead to guaranteed purchases of foreign products.

On July 31, Kantor announced that his office will move to impose trade sanctions if the Japanese government does not agree by September 30 to expand US access to its government telecommunications and medical equipment markets.

Arab states have 60pc of world's oil

ABU DHABI, Aug 18: Arab states have more than 60 per cent of the world's oil and the reserves will sharply increase with the introduction of advanced extraction technology, an official study said on yesterday, reports AFP.

Around 112 billion barrels of crude are expected to be added to the proven reserves of 628 billion barrels with the employment of new advanced equipment and the more productive horizontal drilling technique, said the study by the Kuwaiti-based Organisation of Arab Petroleum Exporting Countries (OAPEC).

"To add those quantities to the existing reserves, Arab countries need to drill 3,635 wells at a cost of 56 billion dollars," the 10-nation group said in its monthly bulletin, obtained here.

It said the exploration could also result in the addition of 15.1 trillion cubic metres (503.3 trillion cubic feet) of natural gas to the existing gas reserves of 28.8 trillion cubic metres (960 trillion cubic feet).

Most of the Arab crude reserves are based in the Gulf, with Saudi Arabia alone having nearly 260 billion barrels, more than a quarter of the world's proven crude reserves of around one trillion barrels.

Iraq has around 100 billion barrels while Quwait's reserves are estimated at 92 billion barrels and the United Arab Emirates (UAE) at 98 billion barrels.

Gulf officials say they have much more oil underneath as those reserves can be extracted only by present technology.

"There is much more oil in place in the region. But a large part of them are still out of reach because they are too deep and their geological structure is very complicated," one official said.

In the UAE for example, official estimates put oil reserves in place at 216 billion barrels but only 98 billion barrels can be recovered at an extraction rate of around 45 per cent. Extraction rates in other Gulf states are also above 40 per cent compared with 30-35 per cent in other parts of the world.

Most Gulf states embarked on major projects to boost their oil production capacity to face growing world demand. Around eight million of the projected 10 million barrels per day (BPD) increase in demand for OPEC's crude will likely come from the Arab region, according to official estimates.

Retail prices up in China rise

BEIJING, Aug 18: Retail prices in China rose again in July as investment flooded back into construction and property, the State Statistics Bureau said in a report Wednesday, reports AFP.

It reported that prices rose 21.4 per cent in July on an annual basis, compared with 20 per cent in June. The government's own target is single-digit inflation by year's end.

The figure brought the average annual rate of increase over the first seven months of the year to 20 per cent, the bureau said.

The report did not reveal price increase in China's major cities, which are generately higher than the national average. In the first six months, the rate in the cities was 22.7 per cent.

"It's further proof of the government's inability to impose strict monetary policy over the medium term," a Western banker in Beijing said. "And it's also proof that it still cannot bring the provinces under control."

The Bureau's report laid bare dramatic increases in investment in fixed assets — a category that includes buildings, roads and infrastructure — as well as real-estate projects.

Fixed asset investment, blamed for the country's overheating last year, rose by 72.9 per cent in the year to July.

Aeroflot reports 15pc rise in passenger traffic

MOSCOW, Aug 18: Russia's state-owned airline Aeroflot reported a 15 per cent increase in passenger traffic for the first six months of this year, despite severe image problems and major crashes, reports AP.

Vladimir Tikhonov, the general director of Aeroflot-Russian International Airlines, told reporters Wednesday that revenues were 900 billion roubles (450 million dollars), a 10 per cent increase over the same period last year. Profits were also up 10 per cent, although he did not provide a figure.

"On the whole, our results are positive," Tikhonov said.

A series of "strict economy measures" led to 97 million dollars in cost savings in the first half of this year, he said. On the whole, however, costs are rising at a rate of 40 per cent.

Aeroflot-RIA plans to further cut costs by reducing flights on unprofitable routes it inherited from its Soviet predecessor. These flights, often to distant Third World allies of the Soviet Union, mean that as much as 30 per cent of Aeroflot-RIA's international routes are unprofitable, Tikhonov said.

Aeroflot-RIA became a joint-stock company in June, but the government will keep 51 per cent of the stock for at least three years.

AGM of Zeal Bangla Sugar

The third, fourth and fifth annual general meeting of the Zeal Bangla Sugar Mills Ltd will be held on September 27, says a DSE press release.

The share transfer books of the company will remain closed from September 1 to September 27.

Call money rates

Money rates in the call money market during the week ended on Wednesday ranged from 1.75 to six per cent, reports UNB.

During the week, interest rates offered by the banks on certificate of Deposits varied from 3.50 to 8.25 per cent.

The bank rate, however, remained unchanged at 5.50 per cent.

EC favours equal rules for fishermen

UNITED NATIONS, Aug 18: International conservation rules should apply equally to fishermen both inside and outside nations' territorial waters, the European Community fisheries chief said Wednesday, reports AP.

J Almeida Serra, the EC's director-general of fisheries, said that between 90 per cent and 95 per cent of all fish stocks are in coastal zones, not on the high seas.

Almeida Serra spoke on the third day of a UN conference convened to develop the first legally-binding international accord on high-seas fishing.

The conference is aimed at devising rules for conservation, management and dispute settlement for those who fish in waters outside countries' 200-mile (322-kilometer) territorial limit.

But some representatives, including Almeida Serra, contend that conservation efforts must include limits on coastal fishing because so may fish migrate between coastal waters and the high seas.

"All parties fishing on the high seas and those fishing within exclusive economic zones should abide by equal obligations to conserve and manage fish stocks in a sustainable manner," Almeida Serra said.

He declined to say whether the European Community favours a legally binding treaty or a more general declaration.

The conference has not decided whether to aim for a non-binding declaration, a legally binding treaty or convention, or some combination of the two. It is not expected to complete its work during the current session and is likely to reconvene next year.

A H M Abdul Hye, Secretary, Ministry of Industries, visited Khulna Newsprint Mills on Wednesday. Waseq-al-Azad, Chairman of BCIC is also seen in the picture.

Two US firms sign joint contract with Beijing

BEIJING, Aug 18: Two US oil companies signed a joint contract with China on Wednesday for prospecting and development in the Bhoai Sea off the country's northeastern seaboard, Xinhua said, reports AFP.

Kerr-Mcgee Corp. and Muphy Oil Corp. signed the contract with the China National Offshore Oil Corp. (CNOOC) to explore 2,280 square kilometres (910 square miles) off the coast of Tianjin.

It was the 95th contract, CNOOC has signed with foreign partners, the official news agency said.

Full convertibility of Taka: Is it the right answer?

by Nitai C Nag

The Bangladesh government is reportedly going to make Taka fully convertible by October 1994. According to the Finance Minister, "the economy is in a strong position to go for capital account convertibility to attract foreign capital into the country." The Minister, however, did not explain what he meant by the 'strong position' of the economy. Perhaps what he had in mind was the set of good macro indicators — swelling international reserves, surplus on current account, tight money supply, reduced budget deficit, very low inflation etc. — that he often claims to be the fruit of prudent economic management.

To attract Direct Foreign Investment (DFI), we have already put in place plenty of measures. According to many experts including the Indian Finance Minister, who visited Bangladesh recently, we are ahead of all the countries in this region regarding economic reforms. Trade has been liberalised adventurously. Financial sector has been undergoing reforms. Public sector enterprises are being sold out to private hands. Agricultural subsidies have been eliminated. Prices of public utilities are revised upwards most often. Thousands of employees have been retrenched from public sector industries. Taka has been made convertible on the current account. All these apparently have failed to bring in desirable amount of foreign capital. Some multinational corporations are reportedly moving out with their capital. It is in this backdrop that we are planning to take resort to full convertibility.

What will full convertibility mean?

Now we have convertibility in the current account which means that Taka can be converted into hard currencies to settle obligations of trade in goods and services. The rate of conversion, however, is determined in our case not by the market forces but by the foreign exchange dealers, especially the nationalised commercial banks. The method followed, we are told, is not arbitrary, but the dealing agents consider the aggregate demand and supply of foreign exchange everyday to fix certain rate at which to buy and sell units of foreign currency. An importer can proceed to his bank and buy any amount of foreign currency for Taka at the exchange rate fixed for the day to import any commodity not covered by the now thin import control list.

Similarly, an exporter can exchange all his export revenue for Taka. There is some asymmetry, however: it is mandatory for any exporter to convert into Taka punctually all his foreign exchange earnings minus certain specified quota of 15 per cent of the total, which he is allowed to retain.

Full convertibility, in addition, will mean that the capital account too will be covered by the conversion rule. The conversion rate will most probably continue to be determined as now. The modus operandi of the proposed rule, however, is yet to be spelled out by the public authority. But academicians and business people alike have already taken the subject seriously. Bangladesh Institute of Bank Management, for example, organised a three-day workshop where the theoretical aspects of full convertibility came up for discussion. Some workshop members also hailed the proposed move in advance.

Too many Cooks!

The intention of this article is not to cast doubts over the efficacy of currency convertibility — partial or full — but to remind ourselves whether or not we already have enough of the policies in place, designed, if not willingly, on donors' advice, with the almost sole objective of achieving faster growth through the foreign sector. But what did they do for us? Every policy has its potential vices as it has virtues. Tariff reduction on consumers' goods, for example, is harmful to producers but beneficial to consumers. It is the potential net benefit of a tariff cut which ideally does form the basis of its adoption. We in Bangladesh, unfortunately, are trying to play with all the policies that we can conceive of without any respite. We have apparently lost all regards for taking stock of what fruits such and such policies delivered and at what costs. It is often that we leave many policy projects incomplete and let them proceed as slowly as they cannot bring any noticeable result within any reasonable period. For example, there is now no visible sign that the financial sector reform is making any progress.

The nation would gratefully pay high tributes to Finance Minister Saifur Rahman if he could, to the neglect of every other job, have become successful only at thoroughly overhouling our now crippled financial sector.

The financial sector is ideally the shadow of the real sector of the economy — a shadow which acts and interacts with the real sector. It is the mismanagement of the financial sector where lies the root of most of our evils. Almost all the banks failed to expand credit to industries and agriculture as per targets this year and also in the few years that preceded.

They fail because not enough borrowers approach them for funds at the prevailing real interest rate which the later consider too high. The banks cannot lower interest rates reportedly because they have to make provisions for repayment of the deposits already contracted at high rates on the one hand, and face our unfortunate defaulting culture on the other.

Of course, there is some oligopolistic attitude on the part of the banks, especially the nationalised commercial banks as has been pointed out by some observers. But we have to accept the fact that the borrowers as a class have abused the banking system more than the banking system is abusing the borrowers via oligopoly.

Recent newspaper articles quoted some highly placed Bangladesh Bank official saying that the nationalised commercial banks' reported profit figure will drastically fall (and may go even negative in some cases) if the standard international practice of loan classification is followed. If our Finance Minister can successfully handle the phenomenon of default culture, without caring who is who, then it is most likely that things will start taking the right shape. The task required is to minimise loss to a level that the banking industry can absorb it, and ultimately prosper on its own. If we continue to defer this vital issue then no amount of reform, such as, full or partial currency convertibility, will help bring our recovery.

That the banks are having excess liquidity and that international reserves are swelling are only two facets of the same disease, namely, sluggish investment. Once we ourselves start to invest, excess liquidity — both domestic and international — will start to fall. And as we will be reaping the benefits of these now idle resources our unemployed youths too will, to their pleasant surprise, find jobs. Economic prosperity will wash away muscleman ship and extortionism which now are widely believed to be hampering investment climate. Also, we can spend part of the dividends to improve law and order.

By that time foreigners who are now watching our all pervasive poverty from afar will notice that we learnt to rely on our own means, i.e., we are confident of ourselves. They will start seeking their own opportunities among us.

That roundabout reform is most likely to fail can be understood from the result we have achieved from all we did. A negligible amount of foreign capital came in during the last couple of years. That amount too was mostly confined to the equity market, i.e., on the safe side of the risk zone. Unless capital goes to direct investment in manufacture and service, an economy cannot attain real prosperity.

And foreign capital the world over has certain bias towards stock market, and against direct investment in manufacturing and service sector. The poorer a country the more pronounced the bias tends to be. Inflow of external capital experienced by India, for example, is impressive in volume considering India's present economic indicators. However, out of the total of 4.7 billion US dollars that came into India during 1993-94, only 600 million US dollars was direct investment. The rest went into the stock market. So, even India cannot be sure that success will follow the reforms unless she concentrates more on the domestic front.

Conclusion

The lesson from the above is clear. We need to approach all our problems more directly shunning at least for now all roundabout formulae. This way we can concentrate more on fewer issues and by that do better.

If instead we continue to try the indirect means we even run the risk of running the economy by making it swallow what it may not be ready for yet.

The Japanese Business Delegation that visited our country recently wanted to pass just this message to us." The delegation did not commit any investment and instead advised us to come forward with investment first. Our Finance Minister's novel declaration that Taka will be made fully convertible in a few months failed to excite any member of the delegation.

(The author is Associate Professor, Department of Economics, Chittagong University).