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Energy minister tells IDB president

Country needs $ 100b to meet electricity demands by 2010

The visiting President of the Islamic Development Bank (IDB) Osama Jaafar Faquih called on Energy and Mineral Resources Minister Dr Khandker Mosharraf Hossain at the Secretariat office in the city yesterday, reports UNB.

The energy minister outlined the present position and future prospects of energy and mineral resources in Bangladesh. He also briefed the IDB chief executive of the government's initiatives to cater the increasing demand of energy and to explore the untapped mineral resources of the country.

Dr Mosharraf said, demand of electricity in the country will rise to about 4000 megawatt by the year 2000 from the existing demand of 1800 megawatt. " We have to invest about 100 billion US dollars by 2010 to cater to the ever increasing demand of electricity", he said.

About the government's initiative to increase the volume of electricity generation in the country minister said, "we have opened up power generation sector for private investment to support the government's efforts."

"We have received 17 proposals from the international companies seeking permission to invest in power generation sector he said adding that a high level committee has been negotiating in this regard."

Turning to the government's programmes for exploration of mineral resources Dr Mosharraf said, we have received tremendous response from the international oil companies to participate in the discovery and exploration work.

"We already signed two final agreements — one with Holland Sea Search and Cairn International and another with BHP, a joint venture of America and Australia — to explore oil, gas and coal in Bangladesh, he added.

The IDB President appreciated the government's initiatives for the exploration and development of energy and mineral resources of Bangladesh. He highly lauded the success of rural electrification programmes and showed keen interest to further support the programmes.

IDB has been providing 10 million US dollar to generate power supply in eight thanas of Faridpur district under Faridpur Pally Biddut Samity. This is the lone project in power sector being implemented with the financial assistance of IDB.

Mir Mohammad Nasiruddin, Chairman of the Board of Directors, Janata Bank, addressing the regional chiefs of Dhaka division on Wednesday. Jalilur Rahman Chowdhury, Managing Director and Gulam Mustafa, General Manager are also seen in the picture.

DCCI seminar on private sector growth today

The Dhaka Chamber of Commerce and Industry (DCCI) will organise a two-day seminar on "Private Sector Growth: Creating a Conducive Environment", says a press release.

M Saifur Rahman, Minister for Finance, will inaugurate the seminar as chief guest at 9:00 am today at the chamber auditorium. A Rob Chowdhury, President, DCCI, will preside over the inaugural session.

Mahbubur Rahman, President, Federation of Bangladesh Chambers of Commerce and Industry, Dr Jurgen Gehl, Ambassador of Germany in Bangladesh, Heiko G Waesch, Regional Coordinator, ZDH/TA partnership programme, will also grace the occasion as special guests.

In the first working session on Saturday, Dr Mizanur Rahman Shelley will be the chairperson and M Shamsul Islam, Minster for Commerce, will remain present as guest of honour.

In the second working session, Mahbubur Rahman, will chair the function and Dr Abdul Moyeen Khan, State Minister for Planning will remain present as guest of honour.

On Sunday in the third working session, M Mokammel Haque, Executive Chairman, BOI, will be the chairperson and M Morshed Khan, Special Envoy to the Prime Minister, will remain present as guest of honour.

In the fourth working session, Salma Khan, Director General, BMDC, will be the chairperson and Dr Khandaker Mosharraf Hossain, Minister for Energy and Mineral resources, will remain present as guest of honour.

Telecom employees of Delhi, Bombay go on strike

NEW DELHI, Aug 26: Telecom services in Delhi and Bombay are likely to be affected following an indefinite strike called by the employees from today, reports PTI.

The employees are determined to go on strike despite the lt governor of Delhi prohibiting the strike by invoking Essential Services Maintenance Act (ESMA) and similar action likely in Bombay.

Sarup Singh, secretary general of the National Telecom Staff Federation (NTSF), which has given the call, said the employees have no other alternative but to go ahead with their strike as there was no invitation from the government for negotiations.

Questioning the pow[illegible]s of lt governor of Delhi to invoke ESMA on the strike, Singh said only the un[illegible]n home ministry was competent enough to invoke such an act.

However, the home secretary in the Delhi government, Anil Abijal, said the lt governor of Delhi had power to invoke ESMA if it was likely to affect the public utility services.

Meanwhile, the Mahanagar Telephone Nigam Limited (MTNL) today appealed to the employees to "stick to their duties" and not to disrupt the services.

It said that despite the assurances from the Minister of State for Communications, Sukh Ram, the employees had decided to go on strike at a critical time when MTNL and subscribers were under tremendous pressure of breakdowns in the heaviest rainfall this season.

Pakistan's foreign reserves rise to $ 2.28 b

KARACHI, Aug 26: Pakistan's foreign reserves rose to 2.28 billion US dollars in June from 2.11 billion US dollars in May and 346 million US dollars in the year-ago month, according to figures released by the State (central) Bank of Pakistan, reports Reuter.

In addition, the bank said it has gold coin and bullion worth 779 million US dollars.

13 shipping lines to raise container rates to 3 ports

DUBAI, Aug 26: Thirteen shipping lines are to raise their container rates to Gulf, Arab and Iranian ports from the Far East excluding Japan from October 1, a statement from the lines said.

"The lines have now decided to implement a rate restoration of 150 US dollar per 20 feet and 300 US dollar per 40 feet, to be applied to all cargo from Far East areas (other than Japan) to Arab and Iranian ports," said the statement sent to Reuters on Wednesday by a Dubai shipping agent.

The current cargo rate from the Far East to the Gulf, taken as an average of different routes, is about 1,200 US dollar for a 20-foot container and 2,300 US dollar for a 40-foot container, according to Gulf agency company, shipping agents for NYK Line.

The lines named in the statement were NYK, American President Lines, Cho Yang, Dsr-Senator, K-Line, Maersk, Mitsui Oska Line, Oriental Overseas Container Line, UGL, Peninsular and Oriental, Sealand, United Arab Shipping Company and Wilhelmsen.

The statement said the planned rate hike was intended to compensate for serious rate deterioration in general.

US-Japan trade accord unlikely

TOKYO, Aug 26: Japanese officials are becoming increasingly pessimistic about an early trade accord with the United States, which is threatening to slap sanctions on Japanese products if there is no agreement by September 30, reports Reuter.

"I am not optimistic, not at all," a top policy-maker at the Ministry of International Trade and Industry (MITI) told reporters.

His comment followed tow-day US-Japan talks in Seattle that ended on Wednesday on ways to open up insurance markets to each other, which produced little progress.

Negotiators from the two trade partners were tight-lipped about how the talks went and where they were going.

An official at Japan's Finance Ministry in Tokyo could only tell reporters that Tokyo would take "positive" steps to reach early agreement with Washington on the insurance sector.

"The Finance Ministry appears to be keeping pace with others sectors in the framework talks," a Foreign Ministry official said.

The two nations have made more progress in the insurance sector than in two other "priority" areas under the bilateral economic framework talks launched in July 1993.

The two other areas are Tokyo's procurement of medical and telecommunications equipment and Japan's imports of auto and auto parts from the US.

"I don't think we can agree on government procurement in early September," the Foreign Ministry official said.

The two sides will resume talks on procurement in Los Angeles on September 7. They are in a cooling off period following the US decision to start sanctions procedings over the procurement issue if no agreement is made by September 30, the US may enforce higher tariffs on selected Japanese exports to the US.

In a separate move, Washington may invoke the Super 301 clause of the US trade act to force Japan to open up its market to US-made cars and car parts.

In auto talks no date has been fixed for a resumption and MITI has nothing new to offer to clinch a deal, the Foreign Ministry official said.

"Japan's imports of cars are all up to consumer preference and private-sector plans, and there is little room left of for the government to ease regulations," he said. "The car sector could fall under Super 301."

Although Tokyo could negotiate with Washington on its trade practices declared unfair under Super 301 for 12 months, it wants to conclude auto talks by September 30, a deadline set by Washington to see if Japan's market is closed to US exports.

The senior MITI official also said Japan is unlikely to propose any macroeconomic steps to satisfy the United States during the talks.

Finance Minister M Saifur Rahman and Industries Minister A M Zahiruddin Khan formally inaugurated the handing-over of the newly-fabricated pulp machinery to BCIC on Wednesday. Industries Secretary A H M Abdul Hye and BCIC Chairman Waseq al-Azad are also seen in the picture.

Exchange Rates

Following are the Sonali Bank's dealing rates to public for some selected foreign currencies effective as on August 25 26.

(Figures in Taka)

Currency	Selling		Buying		
	TT & OD	BC	TT Clean	OD Sight Ex. Bills	OD Transfer
US Dollar	40.3775	40.4085	40.0900	40.0365	39.8675
Pound Sterling	62.9630	63.0113	61.2508	61.1691	60.9109
DM	26.3496	26.3698	25.6274	25.5932	25.4851
F Franc	7.6931	7.6990	7.4850	7.4750	7.4434
C Dollar	29.7088	29.7316	28.8921	28.8336	28.7318
S Franc	31.2740	31.2980	30.4131	30.3725	30.2443
Jap Yen	0.4121	0.4124	0.3967	0.3961	0.3945
Indian Rupee (AMU)	1.2939	1.3036	1.2722	1.2531	—
Pak Rupee (AMU)	1.3236	1.3335	1.3014	1.2819	—
Iranian Riyal (AMU)	0.0232	0.0234	0.0227	0.0224	—

A) T. T.(DOC) US Dollar Spot Buying Tk 40.0632

B) Usance Rates:

30 Days DA	60 Days DA	90 Days DA	120 Days DA	180 Days DA
39.7398	39.4558	39.1718	38.8879	38.3199

C) US Dollar sight export bill 3 months forward purchase: Tk. 40.0365

D) US Dollar 3 months forward sale: Tk. 40.6085

Indicative Rates

Currency	Selling T.T. & O.D.	Buying Q. D. Transfer
S Riyal	10.7665	10.6296
UAE Dirham	10.9942	10.8539
Kuwaiti Dinar	135.9970	134.0535
Singapore Dollar	26.9129	26.5553
D Guilders	23.4821	23.1720
S Kroner	5.3229	5.2529
Malaysian Ringgit	15.8343	15.6282

Note : AMU—Asian Monetary Unit

Shipping Intelligence

Chittagong port

Berth position and performance of vessels as on 25/8/1994

Berth No.	Name of vessels	Cargo	Last port call	Local agent	Date of arrival	Leaving
J/1	*Pagan	GI	Yang	MTA	22/8	25/8
J/3	Tirgu Secuiesc	P Iron	Trin	USTC	9/8	30/8
J/4	Lydia-II	Sugar(G)	Safa	Seacom	12/8	28/8
J/5	Qing He Cheng	GI	S.Hai	BDship	21/8	26/8
J/6	Fulvia	Mop(p)	IIYCLitmond 16/8		2/8	
J/7	Dong Fang Yang	Sugar(p)	Kosh	OWSL	7/8	2/8
J/8	Ocean Envoy	Rice(p)	Kara	Karna	15/8	30/8
J/10	Elang-II	GI	Ciga	Season	22/8	28/8
J/11	Pelopidas	Wheat(p)	N.ord	Litmond	16/8	1/9
J/12	*Banglar Shobha	Cont	Mong	BSC	22/8	24/8
MPB/1	Fong Shin	Cont	Sing	BDship	23/8	28/8
MPB/2	Iran Elham	Cement	Yang	BSC	5/8	26/8
CCJ	* Petr Starostin	Repair	Sing	CT	16/8	26/8
GSJ	* Ocean Earth	Cement	Sing	USTC	16/8	26/8
RM/4	Throstream	CDSO	Darb	TSL	16/8	27/8
RM/6	Team Trinta	HSD/MS	Sing	MSPL	10/7	26/8
DOJ	* Banglar Jyoti	C.Oil	-	BSC	R/A	25/8
DD*	Continent-I	Repair	Okha	CLA	12/8	28/8
DDJ/2	* Banglar Asha	Repair	-	BSC	R/A	30/8
CUFJ:	Safar	Urea	Bank	ASLL	3/8	27/8

Vessels due at outer anchorace

Name of vessels	Date of arrival	Last port call	Local agent	Cargo	Loading port
* Lhotse	25.8.94	Sing	RSL	Cont	Sing
* Min Jiang	25.8.94	Sing	Prog	GI	
* A Goncharov	25.8.94	Sing	CT	Cont	Sing
Meng Kiat	26.8.94	Sing	AML	Cont	Cal
Robert-e-Lee	26.8.94	Bomb	Karna	GI	-
Silver Lake	26.8.94	Hong	Prog	GI	-
Vishva Parag	27.8.94	Bomb	SSL	Cont	Uk.Cont
Ultima	29.8.94	Mong	Baridhi	cont	Col
Banglar Moni	28.8.94	-	BSC	Cont	Sing
Al Salma	28.8.94	Pena	ASLL	GI	-
Kapitan Andguladze	30.8.94	-	Seacom	M.Seeds	-
Trans Auto	30.8.94	Sing	BBA	Vehicles	-
Optima	30.8.94	Sing	RSL	Cont	sing
Banglar Robi	30.8.94	-	BSC	Cont	Sing
I. Yamburenko	30.8.94	-	CT	Cont	Sing
Zang Su Bong	31.8.94	-	Rainbow	Cement	-
Rex	30.8.94	NACA	OWSL	Vehi Cont	-

Vessels at Kutubdia

Name of vessels	Cargo	Last port call	Local agent	Date of arrival

Vessels ready

* Kota Bintang	Cont	Sing	CTS	24/8
* Choin	HSD	Sing	MSPL	25/8

Movement of vessels for 26.8.1994 & 27.8.94

Outgoing		Incoming	Shifting
26/8			
J/5	Q H Cheng	MPB-2 Meng Kiat	MPB-2- Iran Elham to J/2
TSP	Ocean Earth	J/9 Silver Lake	
RM-6	Team Trinta	DOJ B Shourabh	
27/8			
RM-3	Thorostream	CUFJ B Kallol	CCJ P Starostin to DDJ-2
RM-5	Chopin	J/5 Uberty	DDJ-2 B Asha to DDJ/1
DOJ	B Shourabh	DOJ Ane Mone	CUFJ Safar to TSP.

The above were the Thursday's shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by **HRC Group**, Dhaka.

Islamic economics and conventional market economy

by Zeeshan Hasan

All over the Muslim world, the idea that Islam prohibits interest has led to banks and other financial institutions being reordered along the Islamic lines of "profit sharing". These attempts have led to a great deal of effort being spent on the field of "Islamic economics". However, few "Islamic economists" acknowledge that a thorough examination of economic principles and the relevant Quranic verses may allow some rethinking in this area.

To begin with, let us examine how different is profit-sharing from interest. This distinction has been used to justify banks which use the former and supposedly more Islamic approach.

In economic terms, there is absolutely no difference between profit sharing and interest rate banking. Under perfect competition, lending must take place at the equilibrium interest rate. This is the price of credit. It is determined by the yield from investments on the demand side and the public's individual income and consumption decisions on the supply side. The market interest rate will be the price at which savers agree to supply and investors agree to borrow the same amount of credit. The banks act only as intermediaries between savers and borrowers, and have no control over the market interest rate. In particular, this means that they cannot change anything by switching from an "interest based" lending rate to a "profit-sharing based" lending rate.

A conventional "non-Islamic" bank fulfils its role of intermediating between savers and investors by attracting savings deposits at a particular interest rate. It then lends out these deposits at a slightly higher rate to investors; the difference between lending and borrowing rates pays for the banks' costs. Income above bank costs which is not paid to depositors becomes profit for the bank. However, competition between banks will tend to bring the lending and borrowing rates closer together, squeezing bank profits to zero in the ideal case of perfect competitiveness.

If we now look at an "Islamic bank", we will see that relying on "profit sharing" rather than interest rates makes very little difference. In equilibrium, all investments will be yielding the same return. This return will be equal to the lending interest rate in conventional banking, since the surrounding economic conditions which determine the productivity of capital are independent of the banking system. The costs of the banks should also be unchanged, since presumably Islamic and non-Islamic banks require the same amount of manpower and office space. Since both income and cost remain the same, it is obvious that profit will also be unchanged. Under perfect competition, the banks will have to distribute all profits to depositors or lose them to another bank which does. The result is that profit rates paid to depositors are also the same as in the non-Islamic case. The banks will thus have borrowing and saving "profit rates" which are all equivalent to the corresponding interest rates in the non-Islamic example. As before, the difference between these two rates covers the bank's costs. Since the public's saving and investment decisions are the same regardless, the overall credit situation will remain unchanged. The lenders and borrowers will still only agree on one price at which the market will have to clear. The only difference is that this price will be expressed on paper as a percentage of final profits instead of a predetermined interest rate. But just as before, competition will reduce the banks to powerless intermediaries. In fact the Islamic and non-Islamic cases would be exactly the same but for an added element of risk in Islamic banking; I deal with this below.

As we have seen, it is a bit misleading to think that modern banking can be made "Islamic" by changing from an interest rate regime to one of profit sharing. There can be only one real difference between the two systems; in the "Islamic" bank, the cost of credit may be higher. This is because returns from profits are variable and not predetermined; they will be high in good years and low in bad years. On the other hand, return on a fixed interest rate loan is unfluctuating. The loan repayment must be made, whether or not the business is making a profit. The other situation is thus more stable, and is convenient for banks as many of their costs may also be fixed. The Islamic bank, in order to make up for the possibility of temporary insolvency due to fluctuating investment returns, will have to add an additional charge to each of their loans. In effect, an Islamic bank must provide insurance as well as credit, and the insurance premiums will be reflected as higher costs. But otherwise there is no difference between Islamic and non-Islamic banks. Even this difference will not result in any change in the overall economy, since all the Islamic banks are doing is taking on business risks usually dealt with by insurance companies.

Private banks and stock markets today give us financial markets that should be competitive. Competition tends to reduce profits by forcing banks to lend cheaply and pay more to depositors. Given perfect competition, the stable market interest rate will be the lowest rate possible; any lower would cause the bank offering it to make losses. The resultant financial sector competitiveness is integral to the efficiency which has allowed capitalism to develop and survive. The modern interest rate thus has one remarkable feature; it is "fair" in that excess profit-making is impossible. Banks must lend and accept deposits at what the market will bear, which in turn will depend on the potential for profitable investments in the rest of the economy. Individual banks cannot manipulate interest rates for their own advantage.

Contrast this to the pre-modern situation, in which banks did not exist. Borrowers were forced to resort to individual moneylenders who were probably limited to the richest individuals of society, and who could rely on their own wealth rather than accept deposits which had to be paid for. Under these circumstances, interest is a completely different arrangement. If lenders are a small group of individuals, they can easily cooperate with each other. Without a competitive environment, interest rates and profits can be fixed at arbitrarily high levels. In this situation, interest rates need not have any relationship to returns from investments. Poor people in dire need of credit for their survival, for example the craftsman who must buy raw materials or starve, will be willing to pay any amount of interest on borrowings. One possible result is a system of virtual enslavement of "bonded labourers" who are hopelessly in debt and will be trapped in the clutches of their creditors for life. Another is the gradual starvation of the borrowers who may be forced to repay their debts regardless of their costs of living. With a large enough supply of potential borrowers, this situation could continue indefinitely. The problem here is that of limited competition which leads to the sort of artificially high prices characteristic of supplier monopolies. In this case, it is capital which is being monopolized.

Competitive and non-competitive prices are different in character. The former is bound to be economically fair; the latter is not. Economic theory recognizes this through acknowledging that monopolies result in few goods being sold at high prices, resulting in a net "deadweight" loss for society, which would benefit more from more goods at lower prices. Thus most market economies are governed by some sort of anti-monopoly laws. There is thus no reason to simply place both competitive and non-competitive interest rates in the category of "forbidden usury" as the Islamic econbmists have done. It is sufficient to say that the unfairly high interest rates of moneylenders and other such pre-modern institutions are un-Islamic. This is in probably more in keeping with the economic circumstances of prophet Muhammad's time and the vastly different situation today.

Nor is this totally a pre-modern phenomena; moneylenders and their outrageously high rates are still the last resort for many rural Bangladeshis. By adapting our concepts of Islamic banking as I have proposed, we also reach the intuitive result that the more market-based rates are more market-based rates are more Islamically acceptable than the absurdly high rates of moneylenders.

The distinction between business and interest does not hold in a competitive market. Interest on a loan corresponds exactly to (for example) the rental cost of a car or any other machinery. In the first case one is loaned money, in the second one is loaned piece of equipment. Each loan, whether of money or equipment, is purchased at market prices which competition renders equivalent. If profits in the rental car business are lower than those in banking, there is nothing to prevent one from selling one's cars and going into banking. Again, we cannot get away from the competitive interest rate. In this example, there will be a difference between "business income" and "interest" only when the market is not competitive. The fact that the Quran makes this distinction should be taken as sufficient reason for us to do the same.

An interest rate is a price attached to money. It is just like any other price attached to anything else of value. Such prices follow naturally given any scarce distribution of goods and a system of private ownership which gives people the right to deny the use of their property to others in need of it. To truly deny interest rates, one must give up on private property and individual ownership altogether. This is the Marxist response, and it should be noted that Marx's criticism of capitalist exploitation hinged on the capitalist's ability to own the means of production, thus deriving interest income at the expense of the working classes. Though many leftist Muslims have tried to claim the Marxist tone of Islam's message of social justice, it is easy to argue to the contrary. The fact that as harsh a punishment as the amputation of hands could be proposed for stealing (Surah 5 (Maida), Verse 38) is obvious evidence that the Islam assumes the validity of private property. "Islamic socialism" would then be valid only if it preserves the basically capitalist framework of ownership.

It seems obvious that the question of Islamic economics is not as easily resolved as one might think. If interest rates are acceptable, then there is nothing un-Islamic about conventional market economy.