

World Bank report says

Silk garments export industry
can flourish in Bangladesh

A silk garments export industry can flourish in the country even without seeking to first exploit the possibly greater potential for its backward links like that of cotton and synthetic apparels, reports UNB.

According to donors, Bangladesh would not face any trade restrictions in world markets on silk garments, since there is little production in developed countries. Now there is almost no chance of this since Uruguay GATT Round has ruled out new quota restrictions.

International demand for readymade silk garments is growing fast, especially for medium grades, according to a country report of the World Bank, which noted that Bangladeshi entrepreneurs' performance so far in cotton and synthetic readymade garments had indicated their capability to perform efficiently as subjects, and move toward more entrepreneurial international silk marketing.

A major advantage of such a move is the scope it creates for high value added in the future, said the multilateral donor agency report based on a comprehensive survey.

Notwithstanding current difficulties, silk weaving could become a significant supporting industry which high employment potential. This would provide more domestic value addition, as much of it is currently located, than conceivable with cotton.

The same may ultimately apply to production of raw silk

and yarn — with an even stronger rural bent — if the government pursues a promotion programme for mulberry, egg, cocoon, reeling and twisting based on removing rather than creating or supporting market imperfections, says the report.

To capture the value added in both silk weaving and silk yarn, suggests the donor agency, the Bangladesh Sericulture Board (BSB) and other public institutions established to support the rearing and weaving industries need reorientation and close cooperation with involved NGOs.

It says while domestic weaving may be initially unnecessary for successful export of garments, it seems quite likely that an efficient silk weaving industry would emerge quickly in Bangladesh if it had access to world priced yarn.

Raw silk and yarn production should be promoted, too, so that value added could be increased eventually.

But, meanwhile, the potential of weaving should not be undermined by inappropriate means of encouraging its local content.

Says the bank: Until an internationally competitive mulberry silkworm reeling agro-industry emerges, the competitiveness of weaving should be facilitated by ensuring the availability of yarn for small-scale weavers through import from efficient producers abroad.

Thus, promotion of weaving should include the effective

waiver or rebate of all taxes levied on yarn to be used for ultimate export. Since the weavers cannot readily enrol in the Special Bonded Warehouse scheme, a component of the duty drawback scheme should be designed for them.

The WB report said a weaving industry successfully linked to a broad range of silk readymade garments export would also require new investment in semi-automatic looms, which can boost by at least four times the normal output of the pitlooms still predominantly used in Bangladesh.

The production of cloth suitable for silk readymade garments or direct export also requires improved access to imported chemicals for dyeing and finishing, and technical training in their use as well as in design for non-sari export market tastes.

This applies to the finishing of handloom weaves as well as to the output of more automated weaving. Small units would be particularly well served by process houses that could add value by providing such finishing services as padding, shrinking, decaterizing and tamponing on an efficient scale. Private investment in such facilities should be encouraged.

Mulberry and the silkworms that thrive on it are well known of Bangladesh. By 1989-90 there were almost 7000 hectares under mulberry

(mostly trees), over 1000 hectares of which were already productive, the survey found.

The planted area continues to grow with assistance from NGOs with a much greater suitable area remaining to be exploited.

Pointing out the prevailing problems the report said while balanced production of bush and tree leaf provides superior wormfeed, BSB initially concentrated for too long on promoting bush plantations, but recently had failed to promote them at all.

Leaf yields remain low compared with neighbouring countries due to lack of HYV plants, fertilization, and inadequate plant maintenance and irrigation.

Cocoon yields are poor compared to China and India due to lack of HYV varieties as well as deficient rearing and drying practices, and storage and transport facilities.

BSB's monopoly of the sale of eggs and leaves open the possibility of mismanagement, observed the World Bank report. Mechanized reeling has expanded very slowly, and most existing mechanical units lack individual brake motion, having value of the yarn produced.

The absence of twisting facilities, except for one factory, precludes the domestic production of wrap yarn. Each of these problems needs to be addressed if a competitive mulberry silk industry is to develop, suggests the donor agency.

Japan's overseas
aid to rise in
fiscal '95

TOKYO, Dec 25: Japan's overseas aid will rise by four per cent in fiscal 1995 to reach 1,106 trillion yen (11 billion dollars), the smallest annual increase in foreign assistance since the country recovered from the ravages of World War II, the government said today, reports AFP.

The aid package was part of a national budget of 70,987 trillion yen adopted Sunday by the cabinet of Prime Minister Tomichi Murayama, it said.

Foreign Minister Yohei Kono defended the increase, telling reporters: "Many developed nations have recently appeared to be reluctant to increase official development assistance (ODA). Our country's four per cent growth should be highly valued."

The previous record low increase was 4.8 per cent, set for the 1994-95 year.

The ministry had argued that the sum would be much higher in dollar terms because of the strong yen.

Japan has been the world's top ODA donor in dollar terms since 1993.

The spending for ODA includes grants and loans to finance projects in developing nations as well as subsidies to nongovernmental organisations.

Aid and public works spending were the largest single beneficiary of increased spending among items of general expenditure.

The government is to submit its budget bills to the upcoming parliament session starting in January. The fiscal year starts next April.

The budget package of 70,987 trillion yen marked a fall of 2.9 per cent compared with the current fiscal year.

Japan endorses austere
budget for 1995

TOKYO, Dec 25: The Japanese government today endorsed an austere budget for the coming year, the first time the national budget has declined in four decades, reports AFP.

The budget, which is expected to easily pass in parliament, calls the smallest increase in overseas aid since World War II and the smallest increase in defense spending since 1960.

The budget, virtually unchanged from a Finance Ministry proposal, totalled 70,987 trillion yen (710 billion dollars) for the fiscal year starting April 1995, down 2.9 per cent from the current year.

It was the first fall in the Japanese national budget since 1955, when it shrank by 0.8 per cent.

Prime Minister Tomichi Murayama, along with cabinet members, endorsed the budget at a special meeting today and will submit it to the upcoming parliament session, expected to start in January.

The budget is expected to pass with few amendments by early next year as the ruling parties — the Liberal Democratic Party, Social Democratic Party and new party Sakigake — enjoy a comfortable majority

in parliament.

Japan's overseas aid will increase by four per cent in the new fiscal year to 1,106 trillion yen, marking the smallest increase in this area since the end of World War II.

The four per cent hike compared with the Finance Ministry's earlier proposal for 3.2 per cent growth. It was a record low rate, undercutting the previous low of 4.8 per cent set for the 1994-95 year.

Many developed nations have recently appeared to be reluctant to increase Official Development Assistance (ODA), Foreign Minister Yohei Kono told reporters. "Our nation's four per cent growth should be highly valued."

Japan has been the world's top ODA donor in dollar terms since 1993.

The spending for ODA includes grants and loans to finance projects in developing nations as well as subsidies to non-governmental organisations.

Defence spending will edge up 0.855 per cent from the current year to 4.72 trillion yen, unchanged from the finance ministry's draft. It was the smallest increase, since 1960 but still the highest defence budget in Asia.



Buyers, mostly women, in the queue for purchasing crockery items at the Officers' Club in the city yesterday, the concluding day of a 11-day Iranian Trade Fair. — Star photo

Neither a lender nor a
borrower be, but why not?

By Arham Masudul Huq

"A banker is a man who lends you an umbrella when the weather is fair and takes it away from you when it rains." I came across this anonymous tag soon after I joined a bank in the seventies as a Probationary Officer. This disrespectful and deprecatory description of a banker naturally confused and also depressed me. Have I settled for a profession which is an dishonourable as the tag suggests? — I asked myself. No honourable man, I told myself, could do such a thing as lending an umbrella to anyone in winter only to be taken away in the rainy season. Nor could he be regarded as an honest person.

My confusion was worse confounded when I recalled the immortal bard Shakespeare's advice: "Neither a borrower nor a lender be; for loan oft loses both itself and friend; and borrowing dulls the edge of husbandry." That made me still more depressed because lending was one of the principal functions of a bank and its valued clients were mostly borrowers.

Could the Shakespearean homily portend the end of the age old transaction known as lending and borrowing and thus the banking business itself? And in that sad event where would I, a new entrant into the world of banking, end up? What a perplexing beginning!

Fortunately, it was not long before I was able to place things in their correct perspective. And then everything was as clear as crystal. The so-called tag was actually a poor joke which certainly should not be taken too seriously. And Shakespeare's caution against lending and borrowing money related to human frailty of individual money-lenders and debtors, and had nothing to do with the functions of the financial institutions called banks. Rather we are reliably told that Shakespeare used to spell his name at least four different ways and it may have puzzled his cashiers at the bank.

During the seventeen years

of my life with bank, I have seen that here, as elsewhere, banks form an integral part of the economic life of the people. In fact, life without bank is as inconceivable as a city without posh hotels, movies and mansions.

There was a time when most households produced for themselves the greater part of what they consumed, and direct exchange of goods for goods, that is, barter was the only kind of trading. Not now; because thousands of different articles make up the modern pattern of life that makes barter an impracticable and impossible proposition. A different medium of exchange is now needed, and that is money, which is widely acceptable, in the form of coins, notes and also cheques.

All roads everywhere lead to the banks. Many people receive their salaries in the form of cheques instead of coins and notes and most wealthier people meet their daily expenses by using cheques. Believe it or not, a rickshaw-puller one day told me that a nouveau riche passenger offered him a piece of paper called cheque in lieu of cash. So you put some of your money into a bank, open accounts and acquire the power to draw cheques. It is a very familiar picture of everyday life. And an unalterable picture too.

You pay the bank nothing for guaranteeing the security of your deposits. On the contrary, the bank pays you interest for your deposits, short term, savings or fixed. The bank is really a place where your money grows. This enhances your principal interest in banking.

You need money for some specific purposes, e.g. trade, commerce, industry etc. The bank lends you the required amount of money, although it may entail business risk and security risk. When you need a bank certificate about your financial solvency, your bank readily provides it (often even at the risk of finding itself in the shoes of the

person for whom the certificate is given). It you have to open a letter of credit, your bank is there to do the needful. It is there to do a lot of other things for you and on your behalf.

Therefore, although a bank is known as a public institution for the custody and investment of money and as an establishment where money and valuables are kept safely, it has a lot more functions than are normally apparent. It contributes quite significantly to the overall economic development of a community or a country as a whole. It is aware of the many social obligations that it has to honour.

You know that your bank is your tested, trusted and constant aide and friend. The friendly relationship that exists between you both is firmly based on mutual confidence and esteem growing from years of steady trial, intimacy and specialised service of the highest order. Conversant with accountancy and all the relevant laws, your banker is a competent person to protect and promote your interests under all circumstances. For a client to have a good and dependable bank and for a bank to have a good and reliable client is a matter of luck and honour.

The important lesson I have learnt and the rich experience I have acquired in the years of my banking career are that banking is quite a revolutionary concept of the modern times which ensures the progress and dynamism of life. It may therefore be said with no possibility of contradiction that a banker lends you an umbrella not only in the fair weather, but one each for all the other seasons, because he is an honest all-weather friend. And he is such a useful, helpful and truthful lender that you can unhesitatingly be, as you are, and bold borrower without the least fear of losing either loan or friend. The very rare incidence of a bank going red and a borrower turning out to be a bad debtor cannot alter this immutable fact.



A train driver climbs up the ladder of a locomotive adorned with Mao Zedong emblem welded at the front yesterday in Beijing on the eve of the 101st birth anniversary of Mao. The locomotive named by the name of the historical Chinese Chairman is regularly travelling around China and is exhibited to the residents of the cities where it stops, for them to advice this ambulant piece of China's history. — AFP photo

Commodity market: Prices of platinum, tin, cotton rise while tea falls

LONDON, Dec 25: A recovery in world economic growth translated into inflationary turbulence on the commodity markets this year, with prices soaring to record highs on strong demand in the United States, Europe and Asia, except Japan, reports AFP.

Speculative buying by investment funds, mainly from the US, accentuated the rise in prices.

Few economists predicted such a spectacular jump in the six base metals: copper, aluminium and nickel in particular rose to record levels, while lead, zinc and tin all moved higher.

Prices also spiralled higher on the rubber markets after South-East Asian production slumped dramatically and demand from tyre manufacturers increased.

Coffee, sugar and the vegetable oils also saw their prices soar higher to levels unseen in the 1990s on a combination of lower production and increased consumption.

Cotton and wool also followed the trend higher, again pushed by lower production and rising consumption.

Oil prices rose moderately on firmer demand despite rising exports by non-OPEC countries and a decision by the Organisation of Petroleum Exporting Countries (OPEC) to roll-over production till the end of 1995.

Among the precious metals, platinum rose, while gold and silver were little changed or declined on speculative trends.

GOLD: Prices fluctuated in a narrow margin between 370 and 400 dollars per ounce during the year, much calmer than in 1993 when speculators raided the market several times.

Gold resumed its "safe haven" status when the dollar was turbulent and when the market was anxious about inflationary pressures.

At the beginning of the year, gold rose on South Africa's first multi-racial elections as dealers remembered that the world's premier mines were in the country and feared a cut in production.

After a lull, gold returned to form in September, rising to its highest level this year at 397 dollars per ounce, on the continued weakness of the dollar.

US investors bought gold to guard against the evils of inflation, while the Japanese were persuaded into the metal after the yen rose to record levels.

Gold, however, suffered a little towards the end of the year as certain US investment funds judged its performance disappointing and chose to exit the metal.

SILVER: Investors who hard back to the days when silver was trading at 10 dollars an ounce, were brought them down to earth with a bump in 1994 as high stocks and production overshadowed the market.

In March, however, investment funds listened to optimistic reports predicting the market would be in deficit by the end of the year, and returned to the market.

Massive speculative buying pushed silver up to 5.7 dollars an ounce, but when prices failed to rise above six dollars, investors quickly withdrew, sending the price back to 5.3 dollars an ounce.

At the end of the year, investors judged silver's performance weak and, with a predicted rise in production, left the market. The price then sank to below five dollars an ounce.

PLATINUM: Rose during the year, remaining above 400 dollars per ounce all year and

even zipping above 420 dollars per ounce at times.

Platinum was increasingly used for jewellery, especially by the Japanese, and by the car industry in catalytic converters, both of which helped prices.

COPPER: Copper, mainly used in housing construction and car manufacturing, soared by around 70 per cent during the year, reaching five-and-a-quarter-year highs in December.

Economic recovery in the United States and Europe, and continued demand in Asia, particularly from China, contributed strongly to copper's rise, and for much of the latter half of the year it led the base metals higher.

Increased sales by Russia failed to halt rising prices as US consumption of copper rose by 12 per cent over the year.

In Japan and Europe, strong demand is expected to continue during 1995.

LEAD: Lead, principally used in batteries, began the year lower after large-scale exports from countries of the former Soviet Union increased stocks in the West.

But price picked up in the wake of aluminium and copper, on diminishing exports from Eastern Europe and on declining world mining pro-

duction. And towards the end of the summer, prices soared as car battery factories increased production in preparation for winter in the northern hemisphere.

Demand also increased in the US, Europe and certain Asian countries, in line with higher car sales. During the year, lead prices rose some 45 per cent, reaching their highest level since 1992.

ZINC: Zinc, mainly used in anti-corrosion treatments, rose slightly at the beginning of the year, before declining on increased Chinese exports and the high world stocks.

But the combined effect of falling global production and stronger demand helped prices higher towards the end of the year.

ALUMINIUM: The metal began the year higher after the world's leading producer regions signed an agreement in February to cut world production in an effort to ease the high level of stocks.

Prices continued to rise as production was swiftly cut in Europe and eased in the Far East, although continued worries about the high rate of Russian exports kept dealers on their toes. Speculation also helped prices.

NICKEL: Nickel, mainly used in making stainless steel,

shed its image as one of the weaker metals, with prices rising 70 per cent in 1994 to around 8,500 dollars per tonne on strong demand and production worries.

The metal began the year lower as high stock figures weighed on prices, but then rose during the summer on fears of a cut in production at Canadian producers Falconbridge and Inco.

Nickel then continued to rise as demand increased in the US and Asia. The economist intelligence unit said the production of stainless steel rose eight per cent during 1994.

At the end of the year, fears of a cut in supply from Russia's Norilsk nickel, the world's leading producer, which was hit by a power outage and a burst hot water pipe, sent prices to their highest level since May 1991.

TIN: Compared to copper, aluminium and nickel, tin lifted only slightly, but compared with its normal sluggish rate, its performance was surprisingly positive.

Prices lifted by around 20 per cent over the year to 6,000 dollars per tonne in December, mainly on speculative buying as dealers ignored poor fundamentals such as large exports from China. Tin, is mainly used in the

manufacture of cans, has suffered since aluminium began to be used in the manufacture of tins and drinks cartons. Its use as a solder is now also limited.

Investors, however, only noticed the positive trends: such as the Association of Tin Producing Countries (ATPC)'s decision to cut exports in 1995 and China's promise to monitor its increasing exports. Brazil, one of the largest producers, recently joined the ATPC.

COFFEE: Dealers are likely to remember 1994 as one of the most turbulent years in coffee's history, particularly after several years of weak prices when a number of plantation owners in Latin America, Africa and Asia left the market for other crops.

Although world production was somewhat uncertain, coffee producers agreed to limit exports between October 1993 and May 1994 by 20 per cent at first, then by 10 per cent, creating a tight market.

TEA: With stagnant consumption, a production surplus and lower prices, tea failed to shake off its image as the poor cousin of the commodities.

Prices were little changed on the London auction market with only top-quality teas ris-

ing after Kenyan production slumped on a drought and Rwandan production was virtually stopped by civil war.

Purchases by Iran, and the countries of the former Soviet Union were lower as the countries suffered from a general lack of funds. Both are normally large importers.

World production, already in surplus in 1993, reached a record high in 1994 at 1.81 million tonnes after large harvests in India and Sri Lanka.

COTTON: Prices climbed regularly during the first six months on a slump in world production and soaring demand.

The world cotton harvest 1993/94 (August to July) was one of the worst on record at only 76 million bales (each of 217.7 kg) compared with 82.3 million bales the previous year. The poor harvest was mainly because pests and a virus attacked plants in Pakistan, India and China.

Demand was also higher in several Asian countries and in Europe, although the second half of the year was mixed.

US investors caused prices to fluctuate irregularly alternatively worried by a massive rise in world production in 1994/95, and boosted by record demand in the US.