The Daily Star
BUSINESS
DHAKA SUNDAY, JANUARY 22, 1995

Insurance scam
1 held in Europe

BALTIMORE, Jan 21: A fugitive charged with bilking up to 10 million dollars from doctors in a malpractice insurance scam was arrested while trying to enter Liechtenstein, Maryland authorities said Friday, reports AP.

Police arrested Martin Bramson Thursday at the Liechtenstein-Austrian border as he tried to enter the tiny European nation, said Garry Jordan, a spokesman for the US Attorney's Office in Baltimore. Bramson and a companion were carrying four kilograms (nine pounds) of gold and several million Swiss francs.

Bramson was under house arrest in Maryland awaiting trial for charges in New Jersey when he fled the state in October 1991. He had been charged with money laundering, mail fraud, wire fraud and conspiracy. He was indicted on similar charges in Maryland in August 1992.

Bramson was accused of setting up phony insurance companies and bilking doctors out of several million dollars in premiums, Jordan said. The operation, which Bramson allegedly ran with his brother and father out of Maryland, set up 50 foreign-licensed insurance companies, selling cut-rate malpractice insurance to doctors throughout the United States.

The Bramsons allegedly put the money in 240 overseas bank accounts and refused to pay 60 million dollars in claims from doctors and their patients, authorities said. The Bramsons operated the scheme throughout the 1980s by paying off some small claims while fighting the larger ones in court.

BSCIC recovers 39pc loan during '93-94 fiscal

By Rafiq Hasan

The overall loan recovery rate of the different industrial projects under the Bangladesh Small and Cottage Industries Corporation (BSCIC) was only 39 per cent in the last 1993-94 fiscal year.

Expressing concern over the loan recovery situation, the BSCIC annual report said, the industrialisation process in the country would be expedited if the loan recovery rate was improved as expected.

During the last fiscal year, BSCIC arranged to disburse Tk 291.54 crore against 13095 small and cottage industries. Out of these, Tk 198.99 crore was fixed capital.

The annual report says, the BSCIC is implementing different loan programmes to make more investment in the small and cottage industries sector to create employment opportunities for the jobless.

Besides, its own loan projects, BSCIC also monitors different loan projects of the government, donor countries and different financial institutions in the small and cottage industries sector.

Although the arrangement of the loan from different sources in the small and cottage industrial sector, is the main objective of the BSCIC, it also gives loans from its own fund under special loan arrangements, self employment loan and small engineering loan programme.

Under the special loan programme, Tk 6.31 crore was disbursed against 144 new and 193 existing small industries during the period. The rate of loan recovery in this programme is 54 per cent.

The loan disbursement activities under the self employment programme was very slow during the period. Only Tk 0.58 crore was disbursed against 33 units. The amount of the total investment during the period was Tk 3.58 crore against 128 new and 36 existing industries. The amount of recovery under this programme was meager.

The rate of the loan recovery from small engineering sector was also very low, only 14 per cent. Under this programme, BSCIC disbursed loans amounting to Tk 12 lakhs against 6 small industrial units during the period.

However, some foreign donor agencies and local banks also gave loans in the small and cottage industries sector.

According to the BSCIC annual report, in the last fiscal year, Tk 230.46 crore was disbursed against 1143 new and 510 existing small industries from own fund of different banks. The rate of recovery under this programme was also 39 per cent.

Besides, loan was also disbursed under Oil and Petroleum Exporting Countries (OPEC) loan and Asian Development Bank (ADB) loan programme in the small industrial sector.

In the cottage industries sector different loan programmes were implemented during the period funded by the United States Agency for Industrial Development (USAID), United Nations Capital Development Fund (UNCDF), Norwaygian Aid (NORAD), Small Entrepreneurship Development Project (SEDP) and International Development Agency (IDA).

The loan recovery rate of the USAID funded project is 74 per cent, UNCDF is 56 per cent and NORAD is 65 per cent.

Russia still has no budget

MOSCOW, Jan 21: Three weeks into 1995, Russia still has no budget, but Cabinet ministers and some legislators were optimistic Friday that it would be passed soon, reports AP.

Key elements of the 1995 budget plan, which the government hopes will be the mainstay of this year's reforms, failed to pass the State Duma, parliament's lower house, on Friday.

Only 195 deputies voted for the plan, short of the 226 needed to pass. There were 142 votes against and one abstention.

"There's no tragedy in this," Finance Minister Vladimir Panskov told reporters after the vote. "I'm sure that by the end of the month the budget will pass the second reading."

He added that it was "important for the country and for the economy" to have no delays.

The next budget vote is expected next week.

The plan, hammered out Thursday night by a commission of legislators and government officials, calls for 240.5 trillion roubles in spending (about 60 billion dollars) and 167.3 trillion (about 42 billion dollars) in revenues.

The deficit target is 73.2 trillion (about 18 billion dollars) just under eight per cent of gross domestic product — down from 10 per cent in 1994.

The government says the budget plan will bring inflation below two per cent a month by year's end.

An International Monetary Fund delegation is now in Moscow looking at the plan as a possible basis for six billion dollars in financial support. The government needs the loan as an alternative to printing money to bridge the gap between revenues and spending.

Inflation was 6.3 per cent in the first 10 days of January, expected to reach 15 per cent by month's end.

Single Euro currency soon

BRUSSELS, Jan 21: National currencies would be phased out of existence within a year of Europe switching to a single currency, a commission report said on Friday, reports AFP.

The report on practical questions raised by the introduction of a single currency, drawn up by a group of banking experts, ruled out the "big-bang" option of switching to a single currency overnight as practically impossible.

But it recommended that the delay between an irrevocable locking of exchange rates and ECU notes and coins coming into circulation should be no more than six months.

"That is a maximum time. As far as we are concerned it should happen as quickly as possible," said Cees Maas, the Dutch chair of the working group.

Maas said it was impossible to predict exactly how long the ECU would circulate alongside francs, marks and guilders.

"That will be determined by, the degree of support the new currency gets from the public and the private sector," he said. "But I would expect this period to be not longer than six months. The longer the delay, the higher the costs incurred through double accounting and so on will be, and the greater the risk of creating confusion among the public and undermining the credibility of the new currency."

The key to a smooth transition to the ECU, Maas argued, was preparing businesses and public opinion by establishing that it was inevitable.

"The most important message of this report is that economic and monetary union is underway and is going to happen. "The private sector now has to prepare for that."

Maas said that technological advances such as the growth of cashless shopping, computerisation of cash tills and the use of barcodes on many consumer products would help to smooth the transition. These would also reduce the potential for inflationary pressures created by producers rounding up prices which did not translate exactly into ECUs.

But even if the technical problems can be overcome, convincing Germans to give up their marks and the French to abandon their francs might prove much more difficult.

Prof Md Rezaul Karim, MP (2nd-L), Chairman, Bangladesh Jute Association, speaking with Jawahar Golechha (3rd-L), Chairman, London Jute Association, at BJA Dhaka Office yesterday. Md Rezaul Karim (L), Vice-Chairman BJA is also seen.

Scientists plan to develop mineral-enriched food crops

WASHINGTON, Jan 21: Scientists in 12 countries have launched a programme to develop mineral enriched food crops in an effort to cut malnutrition in poor countries, a Washington-based research group said on Friday, reports Reuter.

The special crops will be better at absorbing zinc, iron and other nutrients, especially in mineral-deficient soils common in the Third World, the International Food Policy Research Institute (IFPRI) said.

The researchers are working on corn, rice, wheat, beans and cassava, the main sources of food for most of the world's poor.

"This is a low-cost approach to fighting malnutrition that could improve farm productivity and benefit the environment at the same time," said IFPRI fellow Howard Bouis.

Bouis said the mineral enriched crops may have a greater yield than present crop varieties and require less fertiliser and irrigation, which would make them attractive to farmers in rich as well as poor countries.

Cabinet modifies growth forecasts in Japan

TOKYO, Jan 21: The Japanese cabinet modified Friday its official growth forecasts for the coming fiscal year to take account of the devastating earthquake in western Japan, government officials said, reports AFP.

"Next year's figures should be considered with some margin," Economic Planning Agency Director-General Masahiko Komura said.

Komura told a news conference after a regular cabinet meeting that the quake would add an "unpredictable factor" to the agency's forecast of 2.8 per cent growth in gross domestic product (GDP) for the year starting in April.

Government officials said the phrase had been added to the agency's official forecast to qualify the projection announced in December.

"It is hard to predict the impact because it will cause both negative and positive effects," Komura said, referring to the massive earthquake which destroyed much of the industrial infrastructure in western Japan.

"But instinctively, I think the government's economic growth projection for fiscal 1995 will remain unchanged," he said.

International Trade and Industry Minister Ryutaro Hashimoto reportedly questioned the relevance of the initial GDP forecasts.

Plywood transaction in Shanghai tops $2.9b

SHANGHAI, Jan 21: Plywood transactions in Shanghai toped 24.6 billion yuan (2.9 billion dollars) last year exceeding the combined production of Malaysia and Indonesia by 3.7 times, a newspaper reported yesterday, reports AFP.

High turnover on the Shanghai building materials exchange made Shanghai the largest trading centre for plywood in the Asia-Pacific region, the Shanghai Star quoted the former exchange president Zhong Futang as saying.

The exchange is one of four ordered to merge to from the Shanghai Commodity Exchange (SCE) in a move to consolidate the future market. The SCE was expected to be launched in March.

The Shanghai building materials exchange was set up in November 1993 to provide the construction industry with a hedging mechanism against volatile plywood prices.

Plywood prices had swung wildly between 570 dollars a cubic meter (35 cubic feet) early last year and 380 dollars this months as a result of supply problems and foreign exchange rate fluctuations.

Stock investors expect another credit tightening in NY

NEW YORK, Jan 21: Never mind.

Stock investors strutted into the market early this past week, optimistic that interest rates would remain stable for a while. But by Friday's close, they were cowering before another expected credit tightening by the Federal Reserve, says AP.

Analysts said there were sufficient signs of inflation in the week's economic reports to prompt the Fed to tighten by at least half a percentage point at its policy meeting beginning January 31. Two Fed governors made a point of voicing concerns that inflation may be growing.

Investors also worried that world events — financial crises in Mexico and Canada and a devastating earthquake in Japan — could prove inflationary and make a further dent in the dollar, and ultimately be bad news for U.S stocks.

"People started out the week feeling pretty good, that maybe the Fed wouldn't tighten," John Shaughnessy, research director at Advest Inc in Hartford, Conn, said Friday. "Now people are ending the week with almost a resignation of the fact that the Fed will tighten. It's been a bad week for the bulls.

The Dow Jones industrial average rose nearly 24 points on Monday, adding to a 49-point advance the previous Friday.

But by Thursday, investors were in the throes of a broad selloff, chucking economically sensitive stocks, banking and financial issues, and those of international companies.

The selling persisted Friday, when the Dow average sank 12.78 to close at 3,869.43, down 39.03 for the week.

The selloff was tied to worries that another rate hike would immediately boost the return on fixed income investments, making them more attractive relative to stocks, and entire more investors out of the equities markets and into Treasury notes and bonds.

Longer term, higher rates would raise corporate borrowing costs and erode profits, which would eventually lower stock valuations, analysts said.

The case for another rate increase began to build Tuesday, when the government reported strong growth in industrial production and manufacturing capacity. On Wednesday, the Fed's monthly "Beige Book" economic report showed robust growth in the economy.

On Thursday, the government said the nation's trade deficit had widened in November and was on track toward the worst annual figures ever for 1994. And the Philadelphia Federal Reserve said that not only had the area's business activity softened in January, but prices rose raising the specter of slow growth plus inflation.

On Friday, the government said housing starts fell 1 per [illegible] in December, less than ex[illegible] and jumped a healthy 12.[illegible] per cent for the year, unde[illegible] higher mortgage rate[illegible] the result of previous [illegible] tightenings.

The week's data did not lend "much solace to those who believe that the Fed should not tighten," said Michale Metz, market strategists at Oppenheimer & Co."

World events added some interesting twists.

Purabi Insurance branch managers' confce tomorrow

The Annual conference of the branch managers of Purabi General Insurance Company Ltd will begin tomorrow at 9 am at the head office of the company, says a press release.

Abdullah Al-Harun Chowdhury, Chairman of the company will attend the programme as the chief guest. Chief Coordinator of the company and Regional Coordinator of Chittagong will remain present as the special guests.

Mohammad Hashmat Ali, Managing Director of the company will highlight on the future action programme of the company, the press release added.

US trade deficit widens

WASHINGTON, Jan 21: The US trade deficit rose to 10.53 billion dollars in November, tipping the trade imbalance in 1994 toward the worst annual gap in history, the commerce department said yesterday, reports AFP.

Most experts had expected a 10-billion-dollar deficit in goods and services.

The November deficit was 4.3 per cent higher than October's revised figure of 10.1 billion dollars.

US exports rose 2.2 per cent to a record 61.16 billion dollars due to a surge in commercial aircraft sales that helped offset a decline in the automobile sector.

But imports were up 2.5 per cent to 71.69 billion dollars, a seventh straight monthly record, partly because of surging oil and equipment purchases.

Excluding oil, the trade deficit was 9.6 billion dollars, compared to 9.1 billion dollars in October.

The trade gap with Japan fell by 6.9 per cent to 6.19 billion dollars. The imbalance is running at an annual rate of 65.6 billion dollars, far in advance of the 1993 record of 59.1 billion dollars.

The second-biggest deficit was with China, which rose 16 per cent in November to 2.89 billion dollars was running at an annualized rate of 30 billion dollars.

The gaps with Japan and China account for more than half the total US deficit.

The November trade performance makes it likely the United States will have suffered its worst trade deficit in history in 1994.

For the first 11 months of 1994, the trade deficit in goods along was at an annualized rate of 152.5 billion dollars, dwarfing the old record of 152.1 billion dollars set in 1987.

The 1993 trade deficit totalled 132.6 billion dollars.

Increased trade deficits were posted with Germany, at 1.2 billion dollars, Britain (457 million dollars), and Italy (837 million dollars).

The gap narrowed with France to 245 million dollars.

The 1.3-billion-dollar increase in US exports included a huge 661-million-dollar rise in sales of commercial aircraft and engines.

As for imports, US purchases of foreign oil jumped by eight per cent, with half the increase resulting from higher prices and the remainder due to increased volume.

The United States imported 7.65 million barrels of crude daily in November at an average price of 15.31 dollars.

EU move to freeze key trade accord with Russia

MOSCOW, Jan 21: The European Union has ulterior economic reasons for freezing a key trade agreement with Russia in a protest about the Chechnya conflict, Russian Deputy Prime Minister Oleg Davydov said here Friday, reports AFP.

Speaking to the news agency Interfax, Davydov blamed Paris in particular for the EU action because, he said, going ahead with the accord would have given Russia an edge over France in aluminum, nuclear materials and other markets.

On Thursday, the European parliament voted to approve at European Commission decision to suspend implementation of an EU-Russia partnership accord agreed last year.

The commission halted action to implement the economic and trade aspects of the accord pending its formal ratification by all 15 EU governments. The move is expected to be endorsed by EU foreign ministers on Monday.

The EU said its action was because of Russia's flouting of democratic principles in Chechnya. The partnership agreement states that respect for democratic principles must be central to EU-Russian relations.

But Davydov said that the EU was using the Chechnya conflict to delay the partnership accord and that without Chechnya it would have found some other pretext.

He said the interim agreement would have given Russia new advantages in trade with the EU by removing many discriminatory trade barriers.

Japanese money supply may grow by 2.7 pc in 3 months

TOKYO, Jan 21: The Bank of Japan said yesterday that money supply in the three months to March was forecast to grow by around three per cent from the same quarter last year, up from 2.7 per cent in the December quarter, reports AFP.

"Monetary aggregates are expected to grow moderately, reflecting moderate economic recovery," the central bank's quarterly economic outlook said.

The Bank of Japan said the modest domestic recovery was continuing. Both public and housing investment continue to expand strongly and personal consumption is gaining strength, especially in the area of consumer durables. Capital investment has virtually stopped shrinking.

The quarterly outlook noted that Japan's industrial production and shipments had been rising since the March quarter of last year, although the pace of recovery had been slower than that recorded in previous recoveries.

A central bank official did not rule out the possibility that the earthquake in western Japan this week would boost the outlook for increased government spending and a rebound in housing starts.

Industrial city 'Kobe' may take years to come back to life

KOBE, Japan, Jan 20: Japan's industrial heartland and the port city of Kobe could take years to come back to life after this week's massive ear-thquake, officials said today, reports Reuter.

Tuesday's 7.2 Richter tre-mor ripped through roads and railways and turned much of this bustling metropolis into a smoking ruin.

Officials from road, railway and utility companies who have been surveying the devastation estimated it would take two to three years before Kobe's basic infrastructure and transport network could be restored.

This could be a heavy blow to the entire Japanese economy, since most land transportation between eastern and western parts of the country passes through this bottleneck city perched on a narrow strip of land between mountains and Osaka Bay.

For Kobe's Hinterland, western Japan's Kansai region which accounts for about 18 per cent of the country's total economic output, such a delay would inflict heavy costs.

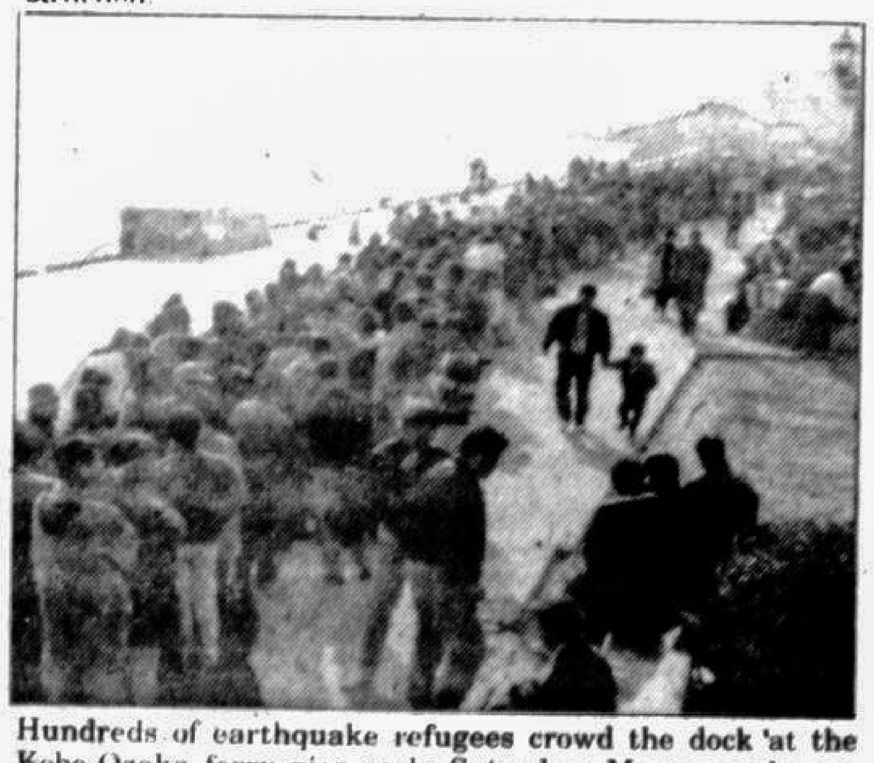
Kansai comprises eight of Japan's 47 prefectures including Osaka and Hyogo, of which Kobe is the capital. It notched up 2.4 per cent economic growth last year against 1.8 per cent for the entire country, according to economists.

About 30,000 people lost their homes in Tuesday's earthquake and 290,000 people of this city of 1.5 million people have sought shelter in evacuation centres. Some buildings survived the immediate impacts of the tremor only to be gutted by subsequent fires.

While food and water were slowly being brought in by emergency trucks, evacuees reported there were still chronic shortages of clean toilets, baby milk, diapers, sanitary napkins and medical supplies.

The Trunk Hanshin Expressway connecting Osaka with Kobe has been severed in at least four places, one a one-kolometre section in central Kobe's Higashi-Nada borough that was flipped sideways.

"It could easily take six months just dismantling this wreck," a Hanshin Expressway official said at the site. "And it could be two years to replace it this time with better construction."



Hundreds of earthquake refugees crowd the dock at the Kobe-Ozaka ferry pier early Saturday. Many people are trying to leave the devastated city now that the ferry service has resumed.
— AFP photo

Construction officials of Hankyu Railway, one of three railway lines between Osaka and Kobe, said it would be two years before service could return to normal.

"The entire (two km, 1.5 mile) section along Shukugawa and Ashiya has collapsed," a company spokesman said. "Structural damage is so severe that we have a hard time assessing damage. It would take about two years (to put right)".

The Hanshin Electric Railroad announced service between Kobe and Osaka would be back to normal in three months. There were no estimates as to when regular Tokaido and Shinkansen "bullet train" services, run by JR West, would be back up.

Kobe water officials said it could be two to three months before pipes and normal service were restored.

Osaka Gas suspended gas supply to most of the Kobe region, some 850,000 homes, to prevent fires.

The company said it plans to resume gas supply within six weeks, during which time more than 1,700 workers from other gas firms across the nation will help repair ruptured gas mains.

Telephone lines were being restored but damage to switchboards and relay stations in hundreds of locations meant that it could be between three to five weeks before communications are fully restored.

More than 21,000 buildings were damaged in the earthquake. The damage to these buildings alone probably amounts to about 50 billion dollars, economists say, dwarfing the 20 billion dollars bill for the Los Angeles earthquake a year ago.

"With damage to the port and other infrastructure added, damage will well exceed 5.5 trillion yen (55 billion dollars)", said Nobuyuki Saji, economist at the private Nikko Research Centre.

Call money rate

Money rates in the call money market during the week ended Wednesday last ranged from 1.20 to 5.50 per cent, a Bangladesh Bank press release said yesterday, reports BSS.

During the same week, interest rates offered by the bank on certificate of deposits varied from 3.00 to 8.25 per cent.

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