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# The Daily Star BUSINESS

DHAKA, MONDAY, MAY 15, 1995

**HYUNDAI**

CARS THAT MAKE SENSE

## Clinton firm to open Japanese market to US autos

WASHINGTON, May 14: Tired of "hitting a brick wall" in trying to open Japanese markets to American autos, President Clinton said Saturday his administration is determined to increase sales in Japan, reports AP.

The Clinton administration's dispute with Japan threatens to escalate into a full-scale trade war. Japanese officials are warning they might retaliate against proposed US sanctions with punitive measures of their own.

Clinton earlier this week ordered an earlier trade complaint filed against Japan with the World Trade Organization and prepared a list of punitive tariffs against Japanese automobiles and parts.

In his weekly radio address on Saturday, Clinton said foreign manufacturers make up

30 per cent of the US market for autos and their parts, but just four per cent of Japan's markets.

"We've been hitting that brick wall long enough," Clinton said. "Now we must act to protect and create American jobs."

"Our effort to open Japan's markets as wide as ours is good for American workers and American companies," Clinton said. "It's also good for Japanese consumers, who today pay much higher prices because of their trade barriers."

Reuters says from Tokyo: US trade sanctions against Japan will include 100 per cent import tariffs on 13 luxury car models, a major Japanese newspaper said today, reports Reuters.

In a report from Washing-

ton the Yomiuri Shimbun said the cars included Toyota's Lexus, Nissan's Infiniti and Honda's Acura Legend.

The newspaper said cars made by five Japanese companies were on what it said was a "draft" of the list that is expected to be announced in the next few days.

The sanctions, announced last week over US demands for greater access to Japan's auto and auto-parts market, would be worth 5.9 billion dollars, the newspaper reported.

The sanctions would be limited to luxury cars.

The Yomiuri Shimbun said the US government backed away from plans to include auto parts and products unrelated to the auto industry in the list after domestic criticism of the sanctions action.

## SSE suspends treasury bond trading for 2nd time this yr

BEIJING, May 14: The Shanghai Stock Exchange has suspended treasury bond futures trading for the second time this year, indicating the exchange continues to have problems with firms that break the rules, says AP.

The exchange has not specified a date when trading will be resumed, the Xinhua News Agency reported Saturday. Traders were told to unwind their positions.

The decision was made to "effectively control potential risks," the report said without elaboration.

In February, free trading was suspended for a week when Shanghai International Securities attempted to rig prices.

This month the exchange has fined at least four member companies because of illegal short-selling on the spot bond market, the Xinhua report said.

## Wheat prices soar in US

CHICAGO, May 14: Wheat rates shot up to their highest levels in three months yesterday while corn prices were unchanged and Soy Complex finished mixed, says AFP.

Rumours that a private weather firm had forecast below-freezing temperatures next Monday in the central state of Kansas, the main producer of winter wheat, encouraged a wave of buying.

The firm, central weather service, declined to comment on the rumours.

Steve Freed, Research Director for Adm Investor Services, noted that winter wheat production in Kansas was seriously undermined in 1981 by freezing temperatures at this time of year.

Wheat from the region was already damaged by freezing in mid-April.

Forecasts for drier-than-expected weather and mild temperatures in the midwest for the weekend weighed on corn and soy, because this could speed up seeding operations already underway.

Wheat rates gained between 4.75 and 8.25 cents, except for July 1996 which dropped half a cent.

## World palm oil output to rise

KUALA LUMPUR, May 14: World palm oil production is estimated to rise to 16.7 million tons in 1996, 8 per cent over 1995 due to growing matured area, industry sources said, reports Xinhua.

The growth at 1.2 million tons is attributed to the expansion of 0.3 million hectares to 5.1 million hectares in the matured area, the Malaysia, Palm Oil Registration and Licensing Authority (PORLA) quoted "world oil" journal as saying.

In Malaysia, the world's largest palm oil producer, officials said, the output is projected to go up to 7.6 million tons this year from 7.2 million tons in 1994 and a previous peak of 7.4 million tons in 1993.

## BUDGET '95-96: Business leaders speak out

President of Packaging Industries Assoc says

## Tariff protection needed for growth

The government's present liberal economic policy has minimised the scope for development in the country's packaging industry," observed the President of the Packaging Industries Association of Bangladesh, **Mohammad Arshad Ali**.

In an interview with The Daily Star he said that the import duty on the raw materials for the packaging industry should be fixed at at least 30 per cent lower than the import duty on finished products in the next budget.

He was interviewed by **Rafiq Hasan**. Following is the text of his interview:

**DS: The Daily Star (DS):** The budget for the fiscal year 1995-96 will be placed in the Jatiya Sangsad in mid-June. What is your sector's expectation from the next budget? Do you think the priorities in the last budget were implemented properly?

**M Arshad Ali (MAA):** In the previous budgets, whatever steps were taken to heal the severe wounds of the suffering people have failed because due consideration was not given to the proper need of the people. This year also we can not expect any radical change in the budget.

**DS: Do trends in your sector show a growth or decline? Why?**

**MAA:** The packaging sector is the most neglected one in Bangladesh and that is due to ignorance of its importance and impact on the country's economy. We do not have a Packaging Institute whereas even a country like Sri Lanka has a few packaging institutions and a Packaging Council to look after the interest of this sector.

However, the total trend in this sector in Bangladesh is of course very encouraging due to import and implementation of

new technologies exclusively initiated by private companies and individuals. There were signs of positive growth but, most unfortunately, due to unfavourable policy and adoption of so-called free economy, liberal imports of finished products, unrealistic import duty on raw materials and finished products have resulted in a very negative impact on the whole sector.

**DS: What kind of problems did your sector face with the fiscal policies adopted in the last budget like VAT, tax structure and tariff duties?**

**MAA:** A gulf of difference has been kept in the import duty of raw materials and finished products. For example, import duty of the raw materials for tablet and capsule strips are: PE resin printing inks, primer & chemicals—45 per cent (pc) and aluminium foil 5 pc. Whereas duty of the imported finished material in printed form is only 7.5 pc. This great anomalies are obviously hampering the growth of the local industries. As a result public is more inclined to import rather than to buy local products due to cheaper cost.

The way the VAT rates are imposed has proven to be totally unacceptable due to complicated accounting, reporting and realising system, which is not suitable for our environment. The inexcusable harassment by the tax departments among the VAT registered organisations.

**DS: If there is any sick industry in your sector, has the situation improved in the current fiscal compared to the previous one? If not, why?**

**MAA:** At this moment there are no sick industries in our sector but most of them will be on the verge of being sick if no

proper policy is adopted urgently to prevent the collapse.

**DS: What is your opinion on the on-going economic reforms? What has been the impact of the reforms on your sector?**

**MAA:** The present economic reforms have minimised the scope for development in this sector. If a correct policy is judiciously set and implemented, there would be real growth in this sector.

Many dignitaries in the government used to say that the local quality of packages was not as good as the imported ones and the price was also not cheaper. Therefore, the

people have the right to buy at a cheaper price. Probably, they do not consider the local capabilities.

Local industries were never allowed to improve the quality of their products to be cost effective due to faulty policies and lack of protection.

**DS: Would you like to suggest any major policy changes to gear up the economy?**

**MAA:** The first and foremost duty of the government is to identify raw materials and allow their imports at at least 30

per cent lower than the import duty of finished packaging products. For certain period, say, 4-5 years, newest technology-based industries like the packaging sector should be allowed to avail further protection.

**DS: What is your opinion about the current political situation? How is it affecting the economy?**

**MAA:** A stable government is the first criteria of growth of any country but not with wrong policies. Political unrest is always dangerous for the nation. Political situation has worsened the growth no doubt, but the growth is also terribly affected due to unstable power supply, poor infrastructure, slower traffic, poor communication system etc.

**DS: How do you look at the overall economic scenario of the country and what are your suggestions to improve it?**

**MAA:** At present economic scenario looks like improving. In fact, it will improve if infrastructure like transportation, telecommunications, power supply and speedy movement of transport are ensured.

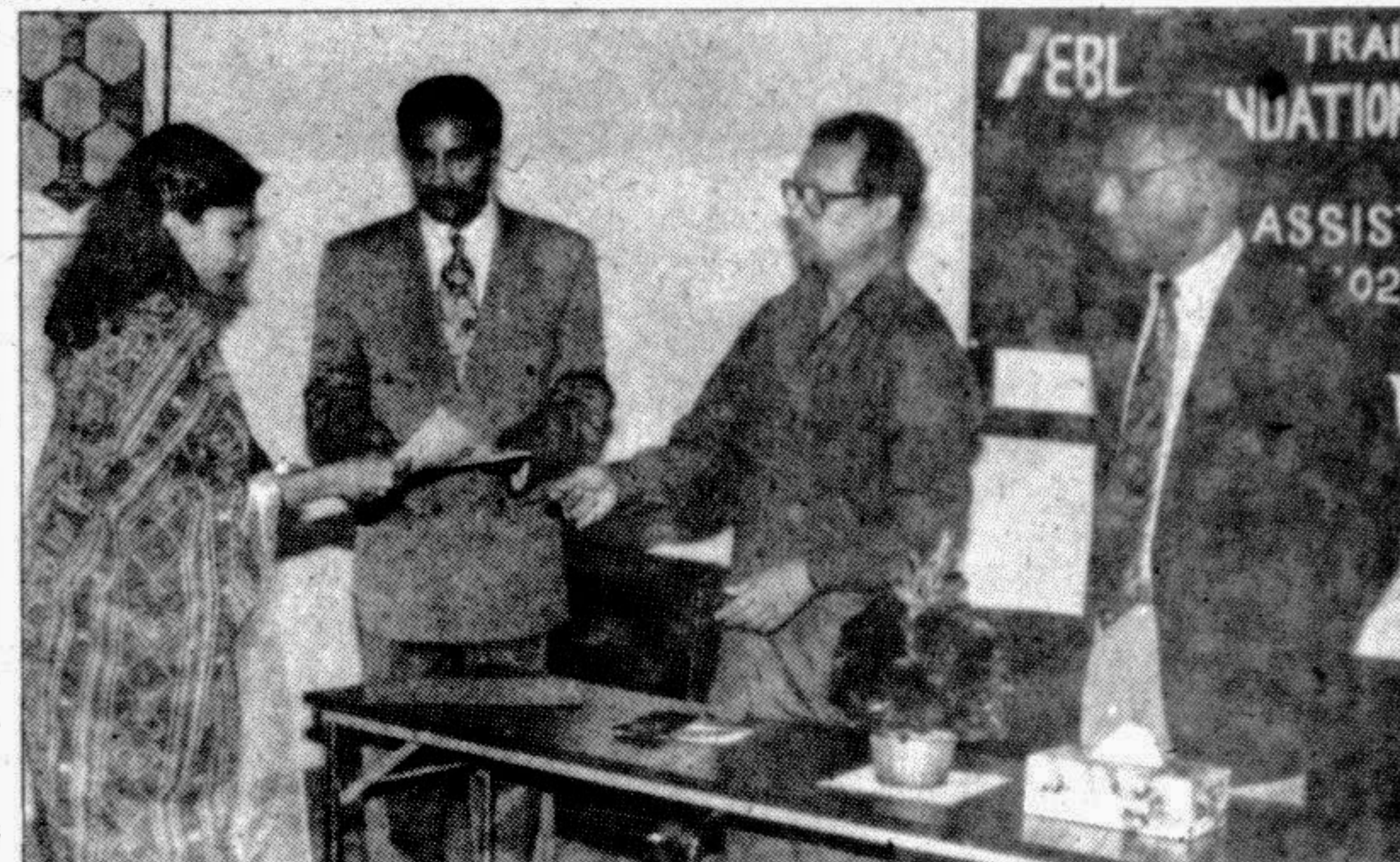
**DS: About the association, how many members? When was it formed?**

**MAA:** Our association was formed in 1977 with 13 members. At present we have a membership strength of 27 only. The strength and activities of the association would have increased manifold if a more pragmatic policy was taken by the concerned authorities, which in turn would have created more employment opportunities in the country.

*(Readers are invited to send their views on the next budget along with passport size photographs.)*



Mohammad Arshad Ali



Nurul Husain Khan, Chairman of Board of Directors Eastern Bank Limited distributing certificates among the newly recruited assistant officers on completion of two weeks foundation course at the Bank's training centre in the city recently. M Aminuzzaman, Deputy Managing Director and Khan Anisuzzaman, Principal, EBL training centre are also seen in the picture.

## Vietnam starts up first gas burning power plant

HANOI, May 14: The first Vietnamese power plant to burn natural gas has started full operation, a contractor for the project said Tuesday, reports AP.

All four turbines at the Ba Ria power plant, 100 kilometres (60 miles) southeast of Ho Chi Minh City, generated electricity Monday, marking the commercial debut of a valuable new energy resource for Vietnam, said J K Nam of South Korea's Hyundai Heavy Industries.

Hyundai built the offshore portion of a 124-kilometre (77-mile) pipeline that transports gas to the plant from the Bach Ho (White Tiger) field. Nam spoke by telephone from his office in the nearby city of Vung Tau.

Many industry analysts reckon that gas may prove more valuable to Vietnam than its current top export, crude oil. Most of the initial domestic demand for gas would be in

Vietnam's power sector, followed by certain manufacturing industries such as fertilizers. The sale of gas for cooking and other household uses will develop more slowly, analysts say.

Prime Minister Vo Van Kiet, who attended Monday's inauguration ceremony, described the gas project as extremely important for the country's industrialization, the state-run Vietnam News Agency reported.

The Ba Ria power plant was recently converted from using more expensive imported diesel oil. Together with the Hyundai pipeline, it forms the nucleus of a new industry. Vietnam can now exploit gas produced at Bach Ho instead of flaring it off.

The state-run Vietnam News quoted the Ba Ria plant's deputy director, Quach Dinh Thanh, as saying that the power station will save at least

130,000 dollars per day by using gas.

The plant will receive about 30 million cubic feet (850,000 cubic meters) of unprocessed gas daily, one-third the amount that had been burned off each day at Bach Ho.

The state-run Vietnam Oil and Gas Corp. plans to build a pipeline extension later to Ho Chi Minh City, Vietnam's biggest city and commercial hub, to generate much of the electricity needed there.

British Gas PLC and Japan's Mitsui and Co Ltd. plan to sign an agreement with the Vietnam Oil and Gas Corp. by the end of next month to invest 500 million dollars in the next phase of development for Vietnam's gas industry. They will build a compression platform to speed the flow of gas more quickly through the Bach Ho pipeline, a plant to process liquefied petroleum gas and an export facility.

## Commodity market: Prices of most items down over week

LONDON, May 14: Silver prices took a tumble this week as investment funds lost interest and searched for more lucrative markets, ending several weeks of record highs, reports AP.

Silver fell 10 per cent of its value in a few days after large scale selling by US investment funds which, the previous week, had pushed prices up to their highest level since 1989. Dealers said such a withdrawal was expected.

The other precious metals, gold and platinum, fell in silver's slipstream, while the base metals also suffered slightly from fund withdrawal, particularly as the dollar became more attractive.

Oil prices danced around, influenced by currency fluctuations and by fears of a fall in Brazilian production.

Grains continued to rise on prospects of a cut in world stocks, while coffee, sugar and cocoa fell lower.

**GOLD:** Fall. Gold dropped around five dollars to 384 dollars per ounce, hit by silver's slump and the recovery of the greenback.

Investment funds generally exited the precious metals mid-week, taking profits after the highs the previous week, and again backing the dollar.

fields mineral services.

**GOLD:** Fall. Gold dropped around five dollars to 384 dollars per ounce, hit by silver's slump and the recovery of the greenback.

**SILVER:** Diving. Silver prices plunged by half a dollar to 5.35 dollars per ounce during the week, registering a 10 per cent drop in value.

The decline is due to large-scale selling by investment funds, who took profits after highs last week. On Friday, prices soared above six dollars per ounce to their highest level since March 1989.

Dealers were not surprised that the bull run has come to an end as US investment funds had been propping the price up for weeks, and the market believed the funds would at some point turn to other more lucrative markets.

**PLATINUM:** Decline. Platinum slumped in the wake of silver, falling by 24 dollars to 433 dollars per ounce — its lowest level since March.

Analysts said that such a fall is not surprising as the metal had risen significantly in line with the other precious metals although its fundamentals are not particularly strong.

**COPPER:** Lifting. Copper recovered some of the ground

it lost the previous week, rising 10 dollars to 2,728 dollars per tonne.

Dealers at GNI said one of the most negative long-term factors for copper was the likely privatisation of the Gecamines mining group in Zaire.

Copper production at Gecamines fell from 500,000 tonnes at its peak to under 50,000 tonnes last year, and "while new foreign ownership is unlikely to boost production as high as these levels a dramatic increase in output is certain."

Weekly copper stocks on the LME fell by 525 tonnes to 211,275.

**LEAD:** Easing. Lead fell by some 22.5 dollars to 587.5 dollars per tonne during the week, as the market ignored the most of the news.

Production at Cominco's trial plant in British Columbia, was operating at 50 per cent after a fire struck the plant on Monday afternoon.

The fire stopped operations at the Sinter plant and one of the company's three blast furnaces even though only the ventilation and conveying systems have been affected.

There was also a report by scientists that the increase in lead processing needed to power electric vehicles would lead to a 600 per cent increase

in lead in the atmosphere than if leaded petrol had been used.

Weekly stocks fell by 6,725 tonnes to 265,975.

**ZINC:** Lower. Zinc slipped around eight dollars to 1,044 dollars per tonne. Dealers said both lead and zinc were, despite their falls, underpinned by market concern about a possible lockout at Mim Holdings' Mount Isa mining operations in Australia.

All operations at the copper-lead-zinc operations were halted Monday and a full lockout is scheduled to start at 1000 east Friday, dealers said.

The company has already declared force majeure on its rail haulage contract with Queensland State Railways and has warned customers that its ability to meet supply contracts will be affected if the dispute continues.

Stocks fell by 17,050 tonnes to 931,325.

**ALUMINIUM:** Lower. Aluminium slipped 15 dollar to 1,736 as investment funds exited the market, despite extremely positive figures from the International Primary Aluminium Institute (IPAI) showing a 61,000-tonne stock drawdown in March from February.

On top of the LME, stock draw of 233,350 tonnes in the month, the IPAI figure implies an annualised deficit in the

region of over three million tonnes, dealers at GNI said.

"Obviously that is only one month's data, but it shows the strength of demand implied by those figures," they added.

Weekly stocks fell by 24,925 tonnes to 951,475.

**NICKEL:** Down. Nickel eased 40 dollars to 7,130 dollars per tonne, slipping in the wake of aluminium in a market-lacking news.

Stocks fell by 2,412 tonnes to 110,178.

**TIN:** Down. Tin fell by 145 dollars to 5,825 dollars per tonne, despite a positive forecast by analysts at Roskill Information Services, who predicted tin prices could rise by around 20 per cent through the rest of the year, due to an upturn in market demand and lower levels of Chinese exports.

Consumption, which has been dropping by eight per cent between 1990 and 1993 to 244,800 tonnes, was forecast by Roskill to rise by nearly 2.5 per cent annually through to 1998.

"This growth in tin consumption will be centred in the industrialised countries of Asia," Roskill said.

Stocks fell by 470 tonnes to 18,370.

**COCOA:** Falling. Cocoa prices fell to around 940 pounds per tonne, continuing to be hit

by the large harvests in the Ivory Coast and in Ghana.

The International Cocoa Organisation (ICCO) added that fears of a drop in Brazilian production had diminished, likewise had worries about the poor quality of the Ivory Coast harvest after large rains in 1994.

At the end of the week, the recovery of sterling and the dollar prompted investment funds to pull out, while chocolate manufacturers ceased buying at the comparatively more expensive rates.

**COFFEE:** Decline. Coffee prices fell to around 3,100 dollars per tonne on the likely prospects of Brazil selling a part of its arabica reserves in May and June.

The market was also weakened by the dollar's recovery and the subsequent disengaging of investment funds.

Dealers appeared to be little impressed by an announcement from Brasilia stating that an imminent export retention plan would conform to a plans signed by the main producer countries at the end of March.

"The story has been going on for too long," dealers said. For several weeks exporters and producers have been debating what kind of retention plan to adopt.

Dealers are also sceptical

level of this development is far from being high and is not commensurate with China's standing as a big country with a population of 1.2 billion," Wu said.

Vice Premier Li Lanqing told the conference earlier that China was unwilling to "prejudice its fundamental national interest" in order to join the WTO, but added that the delay in its membership would not derail the country's reform and opening policy.

Questioned about the growing economic disparities between Chinese regions, Wu said the government was taking concrete steps to bridge the gap between the country's developed coastal regions and impoverished interior provinces and to bring about "common prosperity."

She also reiterated Beijing's position that China be granted developing nation status in the WTO — a demand firmly rejected by Washington.

"Although China has achieved considerable development in foreign trade and economic cooperation. The

level of this development is far from being high and is not commensurate with China's standing as a big country with a population of 1.2 billion," Wu said.

"The unity of China is not a problem, now or in the future," she said.

## Taiwan imports gold worth \$139.623 m in April

TAIPEI, May 14: Taiwan imported 11,032 kilograms of gold worth 139.623 million US dollars in April, a 2.8 per cent drop in volume, but marking a slight growth in value of 0.2 per cent over the same period last year, the Finance Ministry said yesterday, reports AP.

From January to April, the island imported a total of 45,882 kilograms of gold bullion, valued at 565.676 million US dollars, a drop of 3.5 per cent and 4.1 per cent both in volume and value over the same period last year, according to ministry statistics.

Major gold suppliers in this period were the United States, Canada, Switzerland, South Korea and South Africa, the ministry said.

Taiwan, which has over 95 billion US dollars in foreign exchange reserves, is one of the largest gold importers,

slumped on the Chicago market after speculative selling.

Investment funds believe that world soy production is more than sufficient to satisfy demand after record harvests in Brazil and prospects of an upward revision in the estimations for the US harvest.

Prices later rose in the wake of the Chicago market as news of a drop in soy stocks hit the market after record buying in Asia.

**OIL:** Yo-Yo. The price of Brent Crude North Sea oil began the week around 50 cents lower at 18.30 dollars a barrel, as speculators took profits after the sharp price rises the previous week.

The market was also influenced by the Brazilian judiciary's decision to declare a strike by Brazilian oil workers illegal.

During the week, a large group of Brazilian workers returned to work after striking for a week. A complete stop in Brazilian production, normally around 760,000 barrels a day, had pushed prices up at the end of the previous week.

Prices then rose to around 18.6 dollars a barrel on the back of rising petrol prices on the New York market which were boosted by an explosion at a BP refinery in Ohio.

But the climb of the dollar at the end of the week caused US investment funds to exit the market, and oil prices fell