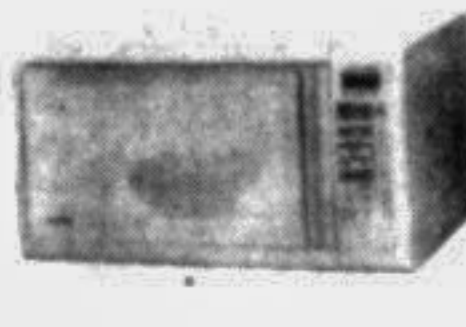



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The Daily Star BUSINESS



HYUNDAI
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DHAKA, WEDNESDAY, JULY 12, 1995

ECNEC okays Tk 264 cr water resource development projects

The Executive Committee of the National Economic Council (ECNEC) in a meeting yesterday approved the smaller water resource development projects at Thana and union levels at a cost of Taka 264 crore, reports BSS.

Finance Minister M Saifur Rahman presided over the meeting held at the Secretariat cabinet room, an official handout said.

The projects include development of 400 water resources sub-projects in the western part of the country aimed at increasing agricultural output and income of the marginal farmers.

The project scheduled to be completed by the year 2001-2002 will cover 249 thanas of 37 districts of the country.

ADB, IFAD, and the Netherlands government will provide 75 per cent of the project cost, the handout added.

ECNEC also approved the Rural Maintenance Programme (RMP) project covering 3600 unions of 61 district of the country at a cost of Taka 236 crore.

The project aims at reducing rural population of below poverty line by improving communications of rural

Dollar lower in Tokyo

TOKYO, July 11: The US dollar edged lower Tuesday after hitting a three-month high against the Japanese yen, but remained strong enough to help prices on the Tokyo Stock Exchange rise for the sixth straight trading day, reports AP.

It was the first time since May 1994 that the market had six straight days of gains. The 225-issue Nikkei Stock Average has surged a total of 2,102.78 points, or 14.52 per cent, over the period.

Despite its decline, the dollar re-

mained higher than its late Monday level in New York, where its strength was eroded by uncertainty over whether Germany would lower interest rates.

Late Monday, the US currency had surged in Tokyo to 87.40 yen, its highest late afternoon rate since March 31.

Late Tuesday, it was changing hands at 87.20 yen, down 0.20 yen from late Monday in Tokyo but above its late overnight New York level of 86.93 yen.

markets and social service institutions. The project work also includes keeping of 72000 km of economically important rural roads and feeder roads usable throughout the country.

It will also provide employment of 36,000 rural distressed women for maintenance of rural roads.

Canadian government will provide Taka 16 crore for the project.

The meeting approved another project to convert 54 "Shishu Sadans" into "Shishu Paribar" at a cost of Taka 77 crore. The project will be completed by June 2001.

ECNEC also approved the project to develop 16 national commercial institutes of the country at a cost of Taka 19 crore. The project aims at developing physical facilities and increase of educational equipment of 16 such institutions which provides diploma-in-commerce.

Commerce and Information Minister M Shamsul Islam, Religious Affairs Minister M Keramat Ali, Education Minister Barrister Zamiruddin Sircar, agriculture minister M A Mannan, State Minister for Planning Dr A Moyeen Khan, State Minister for Social Welfare Fazlur Rahman, members of the Planning Commission and concerned secretaries attended the meeting.



Traffic system is being threatened due to drying-up of paddy on the highway. The picture was taken on Sunday from Aldoga area situated at the mid-point of Dhaka-Gazipur highway. — PID photo

Revenue target of Tk 15450 cr won't be achieved: Saifur

Finance Minister M Saifur Rahman has said the revenue target of Taka 15450 crore in the current year's budget will not only be achieved but the development budget of Taka 12,100 crore is also quite implementable in the overall socio-economic context of the country, reports BSS.

The Finance Minister was talking to the Ambassadors of donor countries and agencies in a post-budget discussion held here yesterday, an official handout said.

He said, the current year's budget is a realistic, pragmatic and people oriented one and the present government never believes in imposing undue burden on successive government regarding implementation of budget.

He said, if the present government is re-elected the revenue surplus of 4380 crore fixed for the current year will not only be achieved but it will be exceeded by few hundred crores increasing the domestic contribution to the Annual Development Programme (ADP).

The Finance Minister said education sector was allocated the highest amount of Taka 3689 crore in both revenue and development budget. "If elected again, the present government will continue to give top priority to the education sector which is the basis of all development," he said.

The Finance Minister said due trust was also given to health, rural development and in other social sectors.

Asia business briefs

KUALA LUMPUR, July 11: Cigarette smuggling in Malaysia has become so rampant that the government has appointed a private market research firm to determine the extent and ways to stop it, a newspaper reported Tuesday.

According to present estimates by the National Tobacco Board, about 17 per cent of cigarettes smoked in Malaysia are smuggled, the board's chief, Mohamad Ismail, was quoted as saying by the Star newspaper.

The government imposes high taxes on cigarettes, dollars pushing the cost of a 20-pack to about 3.60 ringgit (1.47 dollars). Most smugglers bring in the contraband from Indonesia, including a banned type of spiced-flavored cigarette called "keretek".

NEW DELHI: Cadbury Schweppes has announced that it is launching three new soft drinks in the Indian market on Tuesday, a daily reported.

The drinks include a lemon-flavored soda and tonic water, an aerated drink with a dash of quinine to give it a slightly bitter edge, the Pioneer said.

Cadbury Schweppes Beverages India Ltd is the latest entry into India's soft drink market. The market was opened to foreign companies as part of the free market drive in India. The market, however, remains dominated by the big giants, Coke and Pepsi.

SINGAPORE (AP): Mercedes-Benz was the best-selling car in the first half of 1995, but six Japanese cars ranked among the top 10 sellers in Singapore, a newspaper reported Tuesday.

The German company sold 2,691 cars from January to June, overtaking Toyota for the first time early this year. Toyota's previous sales of 3,108 cars in the first half of 1994 fell to 2,296 in the same period of 1995.

The Niss, 3, 4, 5, 8 and 10 cars were Nissan, Suzuki, Honda, Mazda and Mitsubishi respectively, the Straits Times newspaper reported quoting the Motor Traders Association of Singapore.

Bangladeshis living abroad remit Tk 120.50 m in June

Bangladeshi nationals living abroad remitted a sum of pound sterling 2,29,901.99 and US dollars 26,59,884.13 against 14,331 foreign money orders in June this year, reports BSS.

The exchange values of those FMOs is Taka 12,05,00,707.66 in local currency which has been paid to the payees and dependents of remitters living in different parts of the country, an official handout said yesterday.

Total remittances received during the (1994-95) financial year amounts to a sum of pound sterling 61,20,391.41 and US dollars 3,41,67,981.62 against 2,06,711 FMOs.

The exchange values of these foreign money orders is Taka 174,48,41,317.58 in local currency, the handout also said.

Public sector industrial units incur Tk 739 cr loss in 4 FYs

Public sector industrial units incurred a loss of about Tk 739 crore in four fiscal years from 1990-91, State Minister for Industries Lutfur Rahman Khan told parliament yesterday, reports UNB.

Replying to Begum K J Hamida Khanam, he said Bangladesh Chemical Industries Corporation (BCIC) suffered a loss of Tk 87.59 crore, Bangladesh Sugar and Food Industries Corporation (BSFIC) — Tk 165.45 crore and Bangladesh Steel and Engineering Corporation (BSEC) — Tk 485.80 crore during the period.

In reply to Niamat Ullah, the State Minister said a plan is under consideration of the government to set up a leather industrial estate at Chandra Narayanpur mouza near Hemayetpur in Savar thana of Dhaka district.

US pledges \$ 450,000 to support regional data banks in Jordan, Israel, Palestine

WASHINGTON, July 11: The United States has committed \$450,000 to support the development of regional data banks in Jordan, Israel and the Palestinian autonomous areas and provide data to each of the parties so that it can be used to support regional water management, reports AP.

The data banks address a "need to develop group data," on key issues pertaining to water issues, Richard LeBaron said in a July 6 interview.

LeBaron is the director of the State Department's office of regional affairs in the Near East Bureau and chairs the Multilateral Water Resources Group on behalf of the United States.

The idea for the data banks came from discussions held by the Water Resources Group, one of six multilateral groups which were formed following the Madrid Peace Conference of October 1991 to encourage regional cooperation in the Middle East.

One of the primary goals of the water group, LeBaron noted, is for the three core parties — Israel, Jordan, and the Palestinian National Authority — to reach a common level of technical expertise, so that they can share data and set priorities among themselves about how scarce water resources are to be used.

The point, LeBaron stressed, is that this is not an aid project. The parties themselves know best what they need and they should be the ones to determine it.

"We have reached a juncture where we can see our way toward the foundation of genuine cooperation," LeBaron said. There is a sense now of "practical cooperation" among the parties in making a regional approach work.

To date, however, neither Syria nor Lebanon have participated in the multilateral group discussions. This is something the United States hopes will change, LeBaron noted. "It's important that they be involved," he commented.

Nevertheless, the United States has been making sure that both Syria and Lebanon are kept informed of regional developments, in case they decide to become participants, he added.

Another project associated with the work of the multilateral groups is the Middle East Desalination Research Center, to which the United States and Oman both pledged three million dollars recently. The Center, which will be located in Muscat, Oman, will focus on applied research in water desalination and include training and electronic networking.

The United States has also been active in other regional environmental

EU threatening to cut off funds for 3 poor partners

BRUSSELS, July 11: European Union finance ministers took a hard line to some of their poorer colleagues yesterday, threatening to cut off substantial funding for Spain, Portugal and Greece if budget deficits are not brought down, says Reuters.

Replying to Begum K J Hamida Khanam, he said Bangladesh Chemical Industries Corporation (BCIC) suffered a loss of Tk 87.59 crore, Bangladesh Sugar and Food Industries Corporation (BSFIC) — Tk 165.45 crore and Bangladesh Steel and Engineering Corporation (BSEC) — Tk 485.80 crore during the period.

The amounts involved are not inconsequential, totalling 15.15 billion European currency units (19.7 billion dollar) for the three poorer countries and Ireland.

Ministers said the decision to threaten such funding came during a vote on recommendations for countries that still have deficits in excess of the Maastricht Treaty's guidelines.

"There was some teeth in this procedure," said Britain's Chancellor of the Exchequer, Kenneth Clarke, adding it was now up to the European Commission to decide whether action should be taken.

Spain, Portugal and Greece were alone in voting against having the reference to cohesion funds included in their recommendations. Ireland, one of the few countries in compliance with the Maastricht Treaty's criteria, voted with the majority.

Diplomats said formal consideration of the matter would be delayed until the start of 1996.

Regarding the single currency, diplomats said there was growing concern over the relationship between those qualifying for monetary union and those left outside.

"We feel that the effect of currency turbulence on the internal market is disastrous," Portuguese Finance Minister Eduardo Catrejo said.

However, diplomats said it was unlikely that any substantive resolution would be reached in time for the EU summit in Madrid in December.

EU leaders have given finance ministers and the European Commission until December to come up with a plan for the single currency.

"Everyone agrees that the (Spanish) presidency must concentrate on defining a reference scenario," Spanish Finance Minister Pedro Solbes said.

Aerospatiale to build 3 telecom satellites

PARIS, July 11: French aerospace firm Aerospatiale has signed a \$30 million contract (713 million dollars contract) to build three telecommunication satellites for European transmissions, Aerospatiale said Monday, reports AP.

Awarded by the telecommunications company Eutelsat, the contract calls for construction of three satellites, with an option on a fourth, the company said in a statement.

They will replace some of the five Eutelsat II satellites, the company's series currently in orbit.

The Eutelsat III satellites will be put into orbit starting in 1998 and used for telephone and television services, data transmission, and business communications.

They will be constructed in Cannes with help from the German firm Daimler-Benz Aerospace, Alenia of Spain and Space System Loral of the United States.

Aerospatiale won the contract in competition with Matra Marconi Space, another French group, and Lockheed-Martin of the United States.

It was the fourth contract won this year by Aerospatiale, after orders for satellites from Thailand, the Philippines and Sweden.

Singapore to recover \$ 307,000 from late Pillai's assets

SINGAPORE, July 11: Despite the death of an Indian biscuit tycoon after his fraud conviction, police will try to recover from his estate \$307,000 dollars spent in prosecuting him, news reports said Monday, reports AP.

However, Singapore's Commercial Affairs Department, the fraud squad, will close extradition proceedings against Rajan Pillai once it receives his death certificate from India, Singapore television reported.

Pillai fled to India April 11, a day before he was to be sentenced for misappropriating about \$18 million from his Singapore based company, Britannia Industries Pte Ltd.

He was arrested in the Indian capital of New Delhi last week and died in police custody Friday, just before extradition proceedings could begin. In Singapore, he faced a maximum prison sentence of 14 years.

The Television Corporation of Singapore's teletext service reported that a local court has allowed the CAD to begin the legal process for recovering prosecution costs amounting to \$307,000 Singapore dollars (307,000 dollars), possibly by the sale of Pillai's properties here.

Pillai's death has raised questions of human rights abuse by prison authorities as he was denied prompt medical attention despite complaints that he suffered from a severe liver ailment. New Delhi's local government has ordered two independent inquiries.

Pillai's family lawyer has threatened to sue the judge who ordered him into police detention.

Born into a family of cashew nut businessmen in the southern Indian state of Kerala, he trained as a civil engineer. He entered business in 1975 by starting a hotel project in Goa, a resort on India's west coast, and switched to snack foods by entering into a deal with the American food giant Standard Brands.

Pillai moved to Singapore and ran Standard Brands' new acquisition, Britannia Industries, building it into a 500 million dollars empire that stretched across Asia.

Strike hits trains, harbours in S Africa

JOHANNESBURG, July 11: A strike Monday by train, harbour and airport workers stranded commuters in Durban and left goods untouched on some docks, reports AP.

About 10,000 of the 115,000 workers for Transnet, the huge national rail and harbour transportation company, failed to arrive for work or refused to handle cargo in a wage dispute, said Transnet Human Resources Manager Viv van Vuuren.

The South African Railway and Harbour Workers Union called for a nationwide work stoppage in a wage dispute with Transnet.

Over the weekend, Transnet raised its offer to a 10 per cent increase for workers earning 16,000 rand (4,500 dollars) a year or more with the minimum wage rising to 1,500 (422 dollars) a month, 400 rand (113 dollars) higher than the present lowest wage.

The union originally sought a 17 per cent raise with the 1,500 rand a month minimum wage.

Transnet and union officials met Monday afternoon to discuss management's latest offer.

A spokesman for Metro Rail, the commuter train service, said about 40 of the 200 trains in the Durban area were cancelled Monday due to the stoppage, leaving at least 25,000 people unable to get to work. Trains in Cape Town and Johannesburg appeared to be running normally.

In Bloemfontein, airport workers refused to load and unload planes.

Dollar's sliding worries rich, poor alike: How to adjust?

by Nitai C Nag

As the sliding downward of the US dollar against Japanese yen continues with its latest worth being between 79 and 84 yens, the rich and the poor countries of the world are worried alike how to adjust and what would be coming up next. The US dollar, in terms of which most of the world's export prices are quoted and which makes up 60 per cent of the world's foreign exchange reserves, has lost two-thirds of its value since 1960, and half since 1985. Since the start of this year alone it has dropped more than 17 per cent against yen.

Some ASEAN members have voiced concern that the fast rising yen is depriving them of their due gains from trade with Japan.

Thailand and Malaysia ship 40 per cent of their exports to Japan but only 20 per cent of that is accounted in yen, the rest being in dollar.

Indonesia is particularly in trouble with most of its foreign debt owed to Tokyo and denominated in yen.

The oil exporting countries of the Middle-East are disturbed, because, despite the recent pick in oil price, which is quoted in US dollar, oil revenue is falling in real terms, while strong yen and mark are pushing their import bills up.

Pakistan, which exports to Japan 80 per cent of the cotton yarn, its major foreign exchange earner, has suffered setback in export performance because strong yen cut remarkably the external competitiveness of the Japanese textile manufacturers.

Pakistan's current account deficit and price level, which were kept "acceptable" for long at high social costs, have gone wrong following the volatile dollar yen relation.

Meanwhile, experts describe the 1994 rally in world commodity prices to be just nominal, and due to the weak dollar. Since most commodity prices, the experts hold, are quoted in dollar, the observed rally has been rather illusory. The implication is that the commodity exporting third world failed to realise any gains of the change in nominal terms of trade that took place last year.

Examples like the above can be multiplied. These examples only show that the world's current exchange rate system is simply deceiving the underdeveloped countries. The proverb that any sneezing of the developed countries makes the Third World catch cold should be most meaningful in this context.

Unfortunately, the present scenario can prove to be only the tip of an iceberg if appropriate efforts are not made in the global perspective right now to turn steady the fragile relation between the key currencies. There may follow a new world trade regime with altogether different set of value, volume, direction, and distribution of benefits etc. And it is very likely that the immediate casualty of such dislocations will be the growth of world trade, the beloved economic index of the capitalist world.

Misdiagnosis and the Piece Meal Therapy

Unfortunately, the efforts that have been made so far are only piecemeal efforts in nature. Germany, for example, being highly vulnerable to any development in international money and capital markets due to its very open economy, has lowered interest rate. The United States is raising interest rate from time to time.

Japan is the most worried of all with the impending loss of international markets and the possible consequences. According to some experts, Japanese economy was on the verge of recovery from its four year long slump when yen began its climb against the dollar. It is again entering a phase of recession. Desperate Japan for sometime is eyeing at its vast pool of wealthy domestic consumers, who have been long deprived of the fruits of their national prosperity by its quasi mercantilist foreign trade. Accordingly, an economic stimulus package is prepared which includes measures, such as, lowering of interest rate, increasing government expenditure, and deregulation. The detail of the package, however, is yet to be published. Moreover, Japan is now reportedly considering the so-called numerical trade notion which the United States proposed a year ago but Japan rejected rightway. The said notion would require Japan, among other things, to reduce the current account surplus to 2 per cent of gross domestic product. Japanese Finance Minister has acknowledged that the huge trade gap (which stood at about 55 billion dollars in 1994) between Japan and the United States is the cause of the yen rising.

The United States has announced that it is always ready to cooperate with the Group of Seven partners on the forex market.

Rumours are there that in the upcoming meet of the G7 members world's turbulent exchange rate system could be the dominating agenda, although officially the post-Mexican crisis is scheduled for discussion. Many experts, including some from the US, hold that it is the United States' huge trade deficit against Japan which is responsible for dollar depreciating. Again, many observers believe that the ongoing turbulence reflects a ploy of the United States to stimulate its economy and correct trade deficit by means of depreciating currency.

Now that Japan is willing to go for the numerical trade target, albeit her own version, the US might find reason to interpret the same as a long run success of her economic diplomacy. The Japanese Prime Minister recently lamented that falling dollar was not as troublesome for the US as it was for Japan. He added that the American economy was stable and dollar had not fallen against the currencies of Canada and Mexico — America's major trading partners.

Nevertheless, it is difficult to imagine how long the US can rely on depreciating dollar. It may be remembered that in 1971 the US was in a position to protect itself from the run on its gold reserves by giving up the gold exchange standard. If now other countries in the world start reducing holding of dollar reserves, too much dollars will be released for sale, a possibility having the potential of hitting hard the US economy. The only way open to the

US now is to slowdown growth by curtailing its fiscal deficit. The four per cent annual rate of economic growth which the US has posted of late with virtually no unemployment is too high even for herself.

Hopeless Disagreements

While devising respective piecemeal formulae the parties concerned — mostly the US and Japan — seems to be more engaged in apportioning the responsibilities among themselves with one always blaming the other for not doing enough. Japan, for example, is asking the US to cut its fiscal deficits while the latter wants Japanese markets to open for her auto parts. The US has already termed the Japanese economic stimulus package to be not enough to deal with the problem. This failure to reach any agreement by the two parties as to what is the root cause of the problem is the most frustrating of all for the entire world. Meanwhile, things are deteriorating every day with dollar dropping and uncertainty mounting among business people.

Lesson for the Third World

As things stand now the prospect of the third world countries, especially of those in Asia and the Pacific, seems bleak. The examples amassed above should serve as evidence. They, therefore, must soon learn how to insulate their economies of the evils in question, which are not of their own making but which make them suffer because they are members of a club with unequal status. They incur losses mainly in the following heads: (1) Maintaining international reserves in US dollar, (2) Debt servicing, (3) Using hard currencies as denominators in trade, and (4) Trading with countries whose currencies are appreciating. Of course, a country may happen to lose in some front and simultaneously gain in another. For example, while dollar holding may make a country lose, reduced real burden of external debt may at the same time help it. It is, however, improbable that a country of the Asia Pacific region would stand net gainer in an environment like the present one.

Since no global approach is visible, an integrated local approach of the Asia Pacific countries seems imperative. These countries should sit together to devise short run measures to reduce losses and long run ones capable of protecting them completely from these extraneous evils. Whether or not such local approach can come up with a full proof solution is a question less interesting at this moment than whether and when these countries agree to sit together with the common agenda. Japan, meanwhile, is reportedly aspiring to earn the status of a reserve currency country. In their search for a healer, therefore, the countries in this region can begin an intensive discussion over the problems and prospects of yen being a key currency. The sooner they meet the better.

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