



Tk 375 cr industrial zone for Japanese entrepreneurs being planned in Ctg

By Govinda Shil

The government is considering to develop an industrial zone for Japanese entrepreneurs in Chittagong at a cost of Tk 375 crore, according to official sources.

The proposed industrial zone will be built over an area of 275 acres of land on the other side of the River Karnaphuli.

Meanwhile, the Bangladesh Export Processing Zone Authority (BEPZA) has adopted measures to develop more plots in Chittagong and Dhaka Export Processing Zones following increasing demand for plots

investors, who have already invested 4.5 crore US dollars (Taka 180 crore approximately) in 12 different industries, have shown keen interest to invest more in the EPZs.

BEPZA has also taken up a software project in the DEPZ. The Bangladesh Telephone and Telegraph (T&T) Board will install a satellite geo-centre in DEPZ to facilitate data and soft-ware export and import.

Exports from EPZs during the last five months (July-November) of current fiscal (1995-96) has stood at 12.7 crore US dollar approximately. The export target has

been projected at 35 crore US dollars for this fiscal.

A total of 76 industrial units are in operation in the CEPZ and DEPZ.

Talking to The Daily Star, a senior official of the BEPZA said more investors in the EPZs could have been attracted if the political condition was good. He said water shortage in CEPZ has been minimised but could not be solved entirely.

"We are not encouraging the industrial units that use much water," the official said adding that Chittagong WASA is unable to meet the entire demand for water of CEPZ now.

Jalalabad Gas earns Tk 19.59 cr as net profit

By Staff Correspondent

The Jalalabad Gas Transmission and Distribution System Ltd earned Tk 19.59 crore as net profit during 1994-95 fiscal year.

This was disclosed at the ninth annual general meeting (AGM) of the company held in Dhaka yesterday, says a press release.

In the previous 1993-94 fiscal year the net profit was Tk 10.08 crore.

Petrobangla Chairman CKM Abdullah and members of the managing committee and other shareholders of the company were present at the AGM which was presided over by company's Chairman Mosharraf Hossain.

It was said at the meeting that the company earned Tk 118.32 crore as revenue during the period. The company also provided Tk 11.94 crore to the government treasury exchequer.



Mosharraf Hossain, Chairman of Jalalabad Gas Transmission and Distribution System Ltd., presided over the 9th annual general meeting of the company in the city yesterday. Petrobangla Chairman CKM Abdullah is also seen in the picture.

Beximco Chemical Div gets \$13m export orders from Vietnam

Beximco Chemical Division will export raw materials and finished products worth 13.00 million US dollars to Vietnam during 1996, a press release of Beximco Chemical Division said here yesterday, reports BSS.

Ampicillin, Amoxycillin Bulk and IV Fluids produced by Beximco Pharmaceuticals and Beximco Infusions under the Chemical Division of the conglomerate will be imported by the largest state-owned pharmaceutical concern of Vietnam under an agreement signed between the two sides on December 16 last in Ho Chi Minh city.

DH Khan, Managing Director of Beximco Pharmaceuticals and Beximco Infusions, and Nguyen Doan Linh, Vice Director of the national pharmaceutical company of Vietnam signed the agreement on behalf of their respective sides, the press release said.

The total volume of export is likely to go up to 20.00 million US dollars in 1996 with the addition of finished formulations of Beximco Pharmaceuticals Ltd which are under registration now.

This export order is twice the volume of company's export to Vietnam during 1995, the press release also said.

Indian govt calls for debate over telephone privatisation

NEW DELHI, Dec 20: The Indian government called for a debate to break an impasse over telephone privatisation on Monday and said the opposition was using the issue to make electoral capital, reports Reuter.

Parliamentary Affairs Minister VC Shukla told a news conference that opposition groups who had paralysed parliament for nine days demanding a joint parliamentary committee to telephone services were being unreasonable.

Shukla said the only way to break the impasse was to hold a debate on the issue and then decide on whether to set up a joint parliamentary committee as required by the opposition.

The furor over Communications Minister Sukh Ram's handling of tenders by local and international firms to operate basic telephone services across India has paralysed parliamentary business since December 6.

Manila enjoys public sector surplus

MANILA, Dec 20: The Philippines enjoyed a consolidated public sector surplus of 3.3 billion pesos (127 million dollars) for the eight months to August, Finance Undersecretary Romeo Bernardo said yesterday, reports AFP.

Bernardo said this was a reversal from both the 1.22-billion-peso consolidated public sector deficit posted in the same period last year.

It was also a sharp improvement from the 3.91-billion-peso (150.4-million-dollar) deficit that had been forecast for the first eight months of 1995, he said.

Bernardo credited the surplus to larger-than-expected collections by the internal revenue and customs bureaus, lower interest rates and earnings by state banks and state-controlled pension funds.

Rao rules out parliamentary probe into telecom matter

NEW DELHI, Dec 20: Indian Prime Minister PV Narasimha Rao rejected opposition demands today for an investigation into the privatisation of the telephone system, dashing hopes of an early end to a conflict which has brought parliament to a stand still, reports AFP.

Rao ruled out a parliamentary probe into the telecom controversy during a meeting with opposition leader Atal Behari Vajpayee as opposition MPs prevented the legislature from conducting any business for an 11th straight day.

"I have failed to convince the prime minister of the urgency of instituting a parliamentary probe into the telecom matter," Vajpayee told the Press Trust of India (PTI) news agency following the meeting.

"The impasse continues," added the leader of the Hindu right-wing Bharatiya Janata Party (Indian People's Party, BJP), India's main opposition party.

The meeting came as both houses of parliament adjourned for the day amid noisy opposition demands for the resignation of Communications Minister Sukh Ram

and a parliamentary investigation.

A united opposition has accused the Communications Minister of favouring a company from his home state.

Luxembourg court clears way for final settlement to BCCI creditors

LUXEMBOURG, Dec 20: A Luxembourg court today cleared the way for final settlement to former creditors and employees of the failed Bank of Credit and Commerce International (BCCI) when judge accepted a motion to withdraw an appeal by former employees.

Court-appointed liquidator Georgesbaden told Reuters that he can now proceed with settling claims by thousands of creditors of the bank that was closed down by many governments around the world in 1992 for improper conduct.

A lawyer for four former employees of BCCI had entered an appeal against the proposed settlement of 1.8 billion dollars offered to creditors by the Abu Dhabi authorities who were the principal shareholders in BCCI.

Himachal Pradesh, in the granting of licences to provide basic telecom services.

Several rounds of talks between government and opposition leaders have failed to break the stalemate in parliament.

The opposition has accused Sukh Ram of profiting from the tender process for basic telecom licences, in which a little-known firm, Himachal Futuristic Communications Limited (HFCL), offered an unrealistically high bid.

The opening of the potentially lucrative sector to private corporations has attracted the interest of a number of global telecom giants such as American Telephone and Telegraph, US West, Bell Canada and France Telecom.

India has just over one telephone per every 100 people.

Bangkok will host Asia's 1st private sector dialogue

BANGKOK, Dec 20: Bangkok will host Asia's first private sector dialogue for chief executives of the region's leading companies in early March, reports Xinhua.

The dialogue, which is scheduled for March 2-4, will focus on how Asian business leaders can maximize opportunities in order to achieve their goals to become world-class companies.

Pubali Bank signs term loan accord with ULC

Pubali Bank Limited signed a term loan agreement with United Leasing Company Limited (ULC) for extending a term loan of Taka 100 million, says a press release.

The agreement was signed by Md Qamrul Huda, Managing Director of Pubali Bank Limited and M M Alam, Managing Director of United Leasing Company Limited on behalf of their respective organisations at a ceremony held at bank's head office on Tuesday.

Good demand marks tea auction in Ctg

CHITTAGONG, Dec 20: The weekly tea sale held here on Tuesday met with a good demand, market sources said, reports UNB.

Export buyers mainly from Poland was less active while there were some interest from the buyers from Jordan.

Other out-markets were also fairly quiet. Internal buyers lent useful support although the blenders operated in less strength, the sources added.

CTC: Bold and large brokers met with a fair demand and were well absorbed at easier rates. Prices mostly declined from 50 paisa to one taka per kg.

Medium brokens continued to be a good market and were generally steady on last except for the plainer types which eased by up to Taka one.

Small brokens were quite a strong market particularly for the grainy clean varieties which were fully firm, others eased by 50 paisa to one taka. Popular types sold in line with the market and fetched between Tk 53 and Tk 55.60.

CTC FANNINGS: Well-made fannings were in fairly strong demand and firm to slightly dearer, and others were a shade easier. Popular varieties were about steady

selling between Tk 53.50 and Tk 58.50.

GREEN TEA: Some 380 chests on offer met with a fair demand. FYH sold at Tk 56.50 and YH between Tk 45.50 and Tk 46.00, while Hyson sold between Tk 51.50 and Tk 52.50.

DUST: A total of 2,341 chests, 10 bags and 625 gunny sacks on offer met with a strong demand at dearer rates. Small and powdery types were a strong feature of the market and were substantially dearer. Both loose tea buyers and packers lent useful support.

There were a total of 18,462 chests were offered for auction. The next sale will be held on December 26.

Rupee weakens against dollar

BOMBAY, Dec 20: In late trading Tuesday, the dollar strengthened against the Indian currency and sold for 35 rupees because of demand by large companies, and a top federal bank official said there is no reason for the dollar to be at that level, reports AP.

After holding at a little under 35 rupees since the end of October, the dollar sold briefly at 35.01 rupees Tuesday.

Strike costs French firms \$ 4b : CNPF

PARIS, Dec 20: The strikes which gripped France for more than three weeks have cost French firms some 20 billion francs (four billion dollars), employers' federation the CNPF said yesterday, reports AFP.

CNPF Vice-President Denis Kessler said the impact of the strike could take well into next year to overcome. "We won't see a recovery until the middle of 1996," he said.

He added that the employers' association would be setting up an emergency service to help out businesses threatened with bankruptcy due to the strike. France's worst social crisis in nearly 30 years.

The CNPF has agreed to attend a social summit called by Prime Minister Alain Juppe for Thursday to discuss broad issues of employment, in particular how to boost growth, employment for young people and cut working hours.

RBS-Bank of Ireland joint venture

LONDON, Dec 20: The Royal Bank of Scotland (RBS) and the Bank of Ireland announced yesterday a joint venture to run a banking and financial services with total assets of 14 billion dollars in New England, northern United States, reports AFP.

RBS will hold 76.5 per cent of share capital in the new bank, Citizens, when it merges its Citizens Financial Group, based in Rhode Island near New York, with bank of Ireland first holdings, to create New England's third largest commercial bank.

Chief Executive of RBS group, Geroge Mathewson, welcomed the news as giving increased earnings to shareholders.

"This is a good deal," Mathewson said. "It will bring financial and strategic benefits to both of us. It will increase our earnings per share without the need to add new capital. It will lead to further strengthening of our already excellent franchise in New England."

A & A Autos Ltd launches FIAT products sale

A & A Autos Ltd launched the sales and distribution of Italy's FIAT products in Bangladesh at a local hotel recently, says a press release yesterday.

Secretary, Ministry of Commerce, A H Mufazzel Karim inaugurated the products and called for boosting up bilateral trade relations between the two countries.

Ambassador of Italy in Bangladesh and the FIAT representative from Italy, were present on the occasion.

Ashfaqur Rahim, Managing Director of A & A Autos Ltd, welcomed the guests. The function was followed by dinner.

Russian parliament passes '96 budget

MOSCOW, Dec 20: The upper house of Russia's parliament passed a tight 1996 budget on Tuesday, paving the way for next year to become the first since the start of reforms to begin with an approved budget, reports AP.

The state Duma, the lower house of parliament, passed the plan December 6 after making relatively modest amendments to the government's original draft.

The budget now goes to President Boris Yeltsin, who is expected to sign it into law.

Prime Minister Viktor Chornomyrdin, speaking to legis-

lators before the vote, said the government will continue its policy aimed at strengthening the rouble and fighting inflation, the Interfax news agency reported.

His pledge of continuity comes despite the strong showing by Communist and nationalist parties in Sunday's elections to the lower house of parliament.

The tight budget is the centerpiece of the government's economic-stabilization programme and a key element of a nine billion dollar loan deal now under negotiation with the International Monetary Fund.

Bring savings rate in line with other interest rates

By Tanya Gupta

The government is currently engaged in two blatantly contradictory policies: they are using the discount rate also known as the bank rate (the rate at which the Bangladesh Bank lends to other banks) as a tool of monetary policy to lower interest rates and they are also offering artificially high returns on Savings Instruments. Only one of these policies can work for they have some inherent contradictions. Let us see why this is so.

Basic finance tells us that there exists a risk-return profile common to all countries. This holds true for all markets because the factors involved are exactly the same. When the Government borrows from the public, they offer the lowest return. The rate of return on a US treasury bill, for example, is the lowest rate of return among all the financial instruments in the country. This is because the US government is the safest person to lend money to and this low interest rate is compensated for in terms of low risk. The rate on Treasury bills because of the low risk is referred to as the risk free rate and is use-

ful as a benchmark for all other interest rates. By application of this logic, we can deduce that the Treasury rate has to be the lowest rate on the market and all other interest rates have to be higher.

Rating of companies as well as debt is done by unbiased companies such as Moody's or Standard and Poor's. For example, a company which is financially very sound may have a AAA rating of their debt — the highest possible rating. Another company which is not strong may have a BBB which is a lower rating. The AAA company has to offer a lower rate of return than the BBB company. This is because investors needed to be compensated for undertaking additional risk by being offered a higher interest rate. If borrowing is done by risky and financially unsound companies they have to offer a higher rate of return to compensate for the higher risk. The much publicised "junk bonds" of the eighties offered very high returns for very high risk and most of them resulted in default. They are an example of risky debt that has to offer a high rate of re-

turn. If a higher return is not offered the risky debt will not find a buyer.

The risk-return profile of Bangladesh is completely skewed in some areas. The Bangladesh government, being the safest borrower should offer the lowest rate. In reality, they are offering some of the highest rates in the market for some of their instruments. Capital is, therefore, attracted to the market leaders and government instruments. It will, under the above circumstances, definitely not flow to the smaller companies listed on the DSE (lower return, higher risk). This is leading to the worst kind of market inefficiency.

Let us look at the Bangladesh government and its borrowing from the public through the savings instruments. The public is giving the government a certain sum of money and in return they are getting some interest. This interest rate has been very high traditionally and even at present. Three-year Savings Certificate has averaged a 15 per cent return, Five-Year 16 per cent, Five-Year (which is only for

foreign exchange earners) Wage Earners Development Savings Certificate 23 per cent return. Although these rates have been somewhat lowered, they offer a higher return than equity or bank deposits for lower risk. This rate is deliberately set at a high level as a populist measure. Banks compete for deposits. If they do not wish to lose their deposits, they have to offer a competitive rate, which they do. So interest rates continue at a high level.

On the other hand, the government is attempting to lower rates by lowering the discount rate (the bank rate or the rate at which the BB lends to other banks) which has been steadily lowered since 1986 and never been increased to date. Most recently, it dropped from 6 per cent in 1993 to 5.5 per cent in 1994 and is anticipated to decrease further. Supposedly, the banks will pass on the lowered rate to the borrower. Low interest rates will stimulate borrowing and by increasing the investment component of GDP will increase GDP. This is not currently taking place because banks need to offer higher interest rates in order to

compete with Savings Instruments.

Compounding this problem is the fact that banks are extremely conservative about lending. Lowered interest rates on loans, even if they happened would mean greater demand for loans. Since stringent, easily enforceable anti-default legislation is not in place, assessing credit risk is a problem and banks are wary of lending. Lowered interest rates, even if achieved in practice, would lead to increase in demand for loans but it may not lead to increase supply as the banks would continue to apply stringent standards and their lending would not experience a significant increase.

One may argue that as some of the savings instruments are open only to individuals and not companies, it may not have much of an effect. However one can still say that they offer strong competition to bank rates and DSE returns. The fact that investment in these certificates is limited to the individual investor negates its effect to an extent but for the general case the argument

holds.

Thus the government is applying two contradictory policies: one, keeping the electorate happy by offering a high rate on savings instruments and two, attempting to increase investment by lowering interest rates. Even if lowered interest rates were achieved, it might not result in the lowered interest rates being passed on and thus increasing investment since banks would continue to be wary about lending. Not only that, the government is also providing unfair competition to the smaller companies listed on the DSE. The government is in a no-win situation and they need to make up their mind as to what they want to do.

They should either bring the savings rate in line with the other market rates or give up trying to stimulate investment through lowering of the bank rate. What would be recommended is that they bring the savings rate in line with the other interest rates since the high Savings Certificate rate is contributing to the hurtful market inefficiencies. [The author is a lecturer of North South University.]

Price of coffee falls below one dollar a pound

LONDON, Dec 20: The International Coffee Organization's latest daily market indicator price has dropped below one dollar a pound for the first time since the start of May last year, according to data released Tuesday, reports AP.

The inter-governmental agency's indicator for December 18 was 0.9890 dollar a pound, compared with 1.0318 dollar on December 15.

Traders said the latest decline was the result of heavy selling by speculators on European and US markets on Monday triggered by rumours that Brazil was planning to start auctioning off stockpiled coffee.

"There has also been a lot of selling recently anticipating both better crops next year, especially in Brazil and Indonesia, and the collapse of the producers' efforts to manage supplies and prices," said an analyst at the Economist Intelligence Unit, a private London-based business consultancy.