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DHAKA, MONDAY, MARCH 14, 1996

Karachi violence attributed to cellular phones, pager services

ISLAMABAD, Mar 17: Desperate to staunch bloodshed in Karachi, Pakistani authorities suspended all cellular telephone and pager services there last year, saying gunmen were using them to coordinate "terrorist" attacks, reports Reuters.

The services, which had an estimated 25,000 subscribers, have not been restored, but three foreign operators, which together have invested an estimated 160 million dollars in Pakistan, say they are here to stay despite their Karachi losses.

"Pakistan has got tremendous potential. It is a big market and we are striving to make inroads in that market," said David Worcester, chief operating officer of Pakcom Ltd, a subsidiary of Luxembourg's Millicom.

He told Reuters that Pakcom, known locally as Istakom, had incurred a revenue loss of 1.0 million dollars a month since the government pulled the plug on mobile phones in Pakistan's economic hub in July.

More than 2,000 people were killed last year in Karachi, where security forces are locked in a deadly conflict with the ethnic Mohajir National Movement (MQM). This year's death toll is about 150 — a lull by last year's bloody standards.

The government says it is winning the struggle against what it calls terrorism, but has not said when it will allow mobile telephone and pager services in the city to be reconnected.

Karim Khoja, President of Pakistan Mobile Telecommunications (Pvt) Ltd (PMCL), said the stoppage had cost the whole mobile telephone sector about 20 million dollars in lost revenue.

Int'l competition changes Toyota's approach in Tokyo

TOKYO, Mar 17: Experience may be the best teacher, but for Japanese company workers squeezed by tougher competition and a slumping economy, it may not necessary mean better pay, reports AP.

In an attempt to deal with the tougher times, an increasing number of Japanese companies are replacing their traditional seniority system with ones emphasizing job performance, especially for their high-level managers. "It is the natural direction at big companies to set an emphasis on performance," said Toshio Kimura, an industrial economist at Osaka City University.

One of the companies leading the way into the more competitive workplace is Toyota Motor Corp., Japan's largest automaker, which until recently had a reputation for conservative management.

International competition has changed Toyota's approach, said Koki Konishi, assistant manager of the company's International Public Relations Division.

"We feel we need to act before it's too late," he said. Konishi said the difference between the lowest and highest salaries among the company's department heads will widen by up to 7 million yen (77,000 dollars) a year under the new system, which was implemented in January.

WB urges Pakistan to speed up structural policy reforms

ISLAMABAD, Mar 17: A senior World Bank official yesterday indicated bright prospects for Pakistan with higher economic growth and a lower inflation rate this year and called for quick structural policy reforms and institutional development, reports AFP.

The economy had responded favourably to the government's timely and effective short-run stabilisation measures, Mieke Nishimizu, Country Director of the World Bank for South Asia told a news conference here.

Noting the improvement, she said the country's economy was slated for a higher growth rate and a slowing down of inflation. "There are not many developing countries which have shown such a quick response to the economic measures," she said.

Nishimizu refused to give any figures. "The country's current inflation rate is officially more than 11 per cent while the growth rate last year stood at about 4.5 per cent."

However, she said for Pakistan to realise its full growth and employment potential, it is necessary that structural policy reforms and institutional developments are broadened and deepened as quickly as possible.

Winding up her three-week tour which took her to rural areas to understand the delivery of social services to disadvantaged people, she said "I was struck by the increasing diversity of agriculture produce in Pakistan."

The World Bank has so far contributed 250 million dollars for Pakistan's social action programme, she said adding that it would continue to support this development programme.

She observed that the government was committed to a host of reforms in agriculture and other sectors of the economy which would help Pakistan realise its full economic potential.

Complicating every choice is that "none of these decisions about China can be compartmentalized," said Gregg Martel, a China expert and economist at the Economic Strategy Institute. "Everything you do on trade, or Taiwan, and non-proliferation affects everything else."

China has already emerged as a campaign issue ahead of the US presidential election in November, and legislators are threatening to revoke China's US trade privileges in response to its human rights abuses.

"What we're confronting is whether — in the course of this political year in China, Taiwan, and the United States — our relations will result in confrontation," said Kenneth Lieberthal, a China scholar who has informally advised the Clinton administration.

Against that backdrop and undoubtedly aware that the consequences of a new cold war with Beijing would be severe, Clinton must soon decide whether to extend a 30-day freeze export-import bank financing for China projects.

That freeze, imposed last month as officials consider whether to sanction China for selling nuclear technology to Pakistan, is due to lapse around March 25, Ex-Im Bank spokesman Harry Philipps said Friday.

The state department has not yet indicated whether the ban will be lifted, extended temporarily, or prolonged indefinitely as a penalty for spreading weapons technology, he told AP.

A 1994 law bars low-cost loans and loan guarantees from Ex-Im Bank to countries that help nations such as Iran or Pakistan to develop nuclear weapons.

Clinton facing conflict pressure to take tough line

WASHINGTON, Mar 17: US President Bill Clinton is facing conflicting pressures to take a tough line with Beijing on a range of issues without harming American business interests in China, reports AFP.

As Washington considers sanctioning Beijing for violating trade and non-proliferation agreements, tensions in both capitals are running high as China continues war games aimed at influencing Taiwan's March 23 presidential election.

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Violation of fair business laws GM finance company must repay \$4.3 m, orders judge

SACRAMENTO, California, Mar 17: General Motors Corp's finance arm charged 116,000 California car buyers too much for insurance and must repay them a total of more than 4.3 million dollars, a judge said, reports AP.

Sacramento County Superior Court Judge James L. Long found General Motors Acceptance Co violated fair-business laws in the way it bought car insurance for customers whose own policies had lapsed.

In a 59-page opinion released Monday, Long said GMAC unfairly bought coverage for longer than most customers needed, then refunded less than it had promised when they obtained new insurance.

"The practice of purchasing a multi-year insurance policy and adding the entire insurance premium amount to the outstanding automobile loan is harmful and is substantially injurious to consumers because of the unnecessary increase in finance charges," Long said.

He ordered GMAC to correct its records and credit its customer accounts for the overcharges.

GMAC attorneys said they will ask the judge to reconsider his ruling before it becomes final March 17. Failing that, they plan to appeal.

"One of the disappointing parts of this decision is it's going to take a good deal of time and money... to correct customer accounts for people who have not repaid GMAC for months of insurance and aren't going to repay in the future," said John B. Sullivan, a San Francisco attorney representing GMAC.

Sullivan said the people represented by the class action lawsuit account for less than 5 per cent of GMAC contracts in California yet owe the company more than 100 million dollars.

San Francisco attorneys Ronald Lovitt and J. Thomas Hannan filed the suit on behalf of 116,000 customers whose cars loans were financed by GMAC from February 1985 through August 1994.

When the car buyers failed to maintain insurance as required by their sales contract, GMAC bought "collateral protection insurance" from its wholly owned subsidiary, Motors Insurance Corp. The premiums were added to the customers' car loans.

GMAC frequently bought coverage for the life of the car loans when 78 per cent of the customers no longer needed it after a year. Lovitt said premiums added up to 6,000 dollars to their bills.

SAARC Secy General's visit postponed

KATHMANDU, Mar 17: The Secretary-General of the seven nation South Asian Association for Regional Cooperation (SAARC) Naeem U. Hasan has postponed his visit to Bangladesh due to prevailing political situation in the country, an official of the SAARC Secretariat here told the South Asian News Agency today, says a SANA Press release.

He was scheduled to visit Dhaka from March 18. The official said the visit, the first Naeem U. Hasan will, however, take place in the first week of April.

The official told SANA that during his familiarisation visit to Dhaka in April, the SAARC Secretary General will hold high level talks with officials with regard to the most favourable nation status for exportable goods from Bangladesh under the South Asian Preferential Trade Arrangement effective from December last year.

Indian, multinational firms trying to impregnate untapped rural markets

NEW DELHI, Mar 17: Encouraged by rising demand for consumer goods, Indian and multinational firms are turning their attention to the world's largest untapped market — the hundreds of millions of rural Indians, reports AFP.

"Rural markets are large and they are growing fast," said S. L. Rao, a former Director of the prestigious National Council of Applied Economic Research (NCAER).

US urges Japan to open insurance market

KYOTO, Japan, Mar 17: US Treasury Secretary Robert Rubin urged Japan on Saturday to fully implement an agreement to open its insurance market to foreign competition, an official said, reports AP.

Rubin also told Japanese Finance Minister Wataru Kubo that Washington is hoping for quick action in liquidating a group of Japanese housing lenders that are saddled with billions in bad debts.

A senior Treasury official, briefing reporters after a private meeting between Rubin and Kubo, said Washington was troubled lack of progress in opening Japan's insurance market.

The two officials met ahead of the formal start of ministerial talks of the 18-nation Asia Pacific Economic Cooperation forum in Kyoto, Japan.

The US Trade Representative has been seeking assurances from Japan's Finance Ministry that it won't open to competition a segment of the market reserved for foreigners

until access is granted to markets now controlled by Japanese insurers.

The opening of the insurance market was agreed to in principle a year ago.

Rubin also brought up the Japanese housing lenders, known as "jusen," which were left with tons of bad debt after the roaring real estate market of the 1980s crashed in the early 1990s.

The government has proposed a bail out plan to use 685 billion yen (6.5 billion dollars) in taxpayer money to liquidate the jusen. But the plan is so unpopular a group of opposition lawmakers have vowed to block action on the national budget until the plan is scrapped. The fiscal year begins April 1.

The senior Treasury official said Rubin reiterated Washington's hopes that a resolution to the jusen problem would come "as early as possible."

Announced after the meeting was an agreement between the United States and Japan on increasing Tokyo's share in the World Bank amid dwindling US contributions to the institution's softloan arm.

The Treasury official was unable to say exactly what Japan's fresh stake will be. But he said "initial action" has been taken by the World Bank's board to hike Japan's share, which ranks second behind Washington's 17 per cent holding.

Rubin and Kubo also agreed to continue cooperating closely with other Group of Seven industrialised nations in global foreign exchange markets, a Japanese finance ministry official said.

In April 1995, the G-7 financial ministers and central bankers issued a formal communique calling for an "orderly reversal" of the dollar's decline to postwar record lows against the yen and Deutsche mark.

Since the G-7 initiative, the dollar has rebounded strongly, although Japanese authorities have signalled some unease in recent weeks about potential for fresh declines.



Food and Agriculture Minister Abdul Mannan Bhuiyan presiding over a meeting of food planning and monitoring committee held at Food Ministry's conference room on Saturday. — PID photo

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Terraces change lives of Beijing's poorest

HOUIJIAGOU VALLEY, China, Mar 17: No one can fault the farmers of the remote yellow mountains of northern China for failing to think big, according to AP.

For generations, it was all they could do just to coax crops of millet and buckwheat on the steep, barren hills ribbed with gullies — the same "yellow earth" country where the Communists set up a base and grew to power in the 1930s and '40s.

Then two years ago, the World Bank and the Chinese government offered a 250 million dollars loan to create terraced fields.

Call money rates, exchange rates, finance capital

Recent developments in the financial sector in India have been mystifying to most observers. Call money rates had at one point time, zoomed to 150 per cent, and there had to be massive intervention by the Reserve Bank of India, after which call money rates (in Bombay) have come down to 10-12 per cent as of 21 November, 1995.

At the same time, the exchange rate of the rupee came down, over a matter of eight weeks, from Rs 31.7 per US dollar to Rs 35.35 per US dollar, a steep decline of some 143 per cent. Again, the Reserve Bank has had to intervene to prevent a further decline, and the rate has now stabilised at between Rs 34.7 and Rs 34.9 per US dollar (on 21 November).

These developments are at complete variance with the finance minister's repeated assurance that "the fundamentals of the economy are sound." True, both agricultural and industrial production are increasing at a reasonably satisfactory rate.

But, the absurdly high call money rate — which had briefly touched 150 per cent — needs an explanation because, with increasing deficit financing by the Centre, the market ought, in a sense, to be flush with funds; and normally, a prudent banker does not have a long term imbalance between receipts and payments. Some amount of interbank borrowing/lending has always been customary; and in addition to banks, there are other financiers/institutions which are prepared to provide call money (required by any bank, or some times a trader in emergency need of funds). Typically, a call money rate of, say, 5 per cent would imply that a borrower requiring Rs 1 lakh for a 24-hour period, would have to pay an interest of a little less than Rs 14 for the call money of (Rs 1 lakh) borrowed for 24 hours. (Similarly, call money of Rs. 1 lakh, borrowed at 150 per cent for 24 hours, would require and interest payment of Rs 411). An bank is sometimes a borrower, sometimes a lender in the call money market. And, since call money requirement is a somewhat desperate need for cash for a very limited period, the rate of interest herein is entirely determined by demand and supply; a bank facing a very temporary liquidity crunch will shell out any price for such funds.