The Daily Star BUSINESS

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Coca-Cola celebrates birthday today

If a soft drink can claim to have secret of eternal youth, then Coca-Cola is it. Celebrating its birthday today, Coca-Cola has been quenching thirsts for 110 years and is still the world's favourite soft drink, says a press release.

Created by pharmacist Dr John Styth Pemberton in Atlanta, Georgia on 8 May, 1886, Coca-Cola sold 50 glasses in its first year of production. Today, the company's products are enjoyed by consumers in more than 200 countries at a rate of more than 834 million servings per day.

"Coca-Cola is the world's most recognised brand name", says Khalid Raja of Coca-Cola Export Corporation. "We have maintained that status by continually recreating our brand to maximise its appeal to consumers of each new generation.

"To do that we focus on marketing the unique taste of our product; cultivating and perpetuating the brand's personality and heritage; and reigniting the symbols that capture the essence of the brand-including the unique contour bottle shape, the instantly recognisable Coca-Cola script, the familiar dynamic ribbon device and, of course, the red colour which best reflects energy, vibrancy and youth."

The Coca-Cola Company is the world's largest beverage company and is the leading producer and marketer of soft drinks. Along with Coca-Cola, recognised as the world's best-known brand, the Company markets four of the world's top five soft drink brands, including diet Coke, Fanta and Sprite through the world's largest distribution system.

EU members not willing to ease ban on British beef

OTRANTO, Italy, May 7: Germany on Monday excluded any quick easing of the export ban on British beef despite renewed efforts by Britain to assure other European Union nations over mad cow disease, reports AP.

German Agriculture Minister Jochen Borchert said Britain had yet to present enough evidence to convince veterinary experts it's safe to lift the ban on some beef products.

"The member states are not willing to ease the ban," Borchert told reporters at a meeting of EU farm ministers in this Adriatic resort town.

Borchert said the EU's veterinary committee, comprising specialists from the 15 EU nations, would not relax the ban at a meeting Tuesday and Wednesday in Brussels, Belgium.

"For sure, it won't begin at the veterinary committee," he said of the easing of the ban.

British Agriculture Minister Douglas Hogg said he was talking informally with his EU colleagues during three days of talks here to convince them his country had imposed adequate safeguards.

"We very much want to see the EU ban lifted with all possible speed," Hogg told reporters.

Hogg is under pressure from "Euro-skeptics" within the governing Conservative Party to take a tough line on the ban.

On Sunday, Conservative legislator John Towned urged the government to threaten retaliatory action, such as banning beef from other EU nations, if the embargo was not lifted within three weeks.

EU officials warn such action would be illegal and could spark a trade war within the EU.

Britain has been pushing for the veterinary committee this week to relax the embargo by exempting beef fat and beef-based gelatin, products widely used in cosmetics, candy and medicines.

Ministers here were discussing the beef crisis only on the sidelines of a long-scheduled meeting devoted to a broad discussion of EU policies on external trade in farm products.

At issue is the need to reconcile the EU's growing drive for international free-trade accords with the need to protect farmers threatened by foreign competition.

The EU is considering free-trade deals with countries from South Africa to Mexico, but many member countries want to exclude sensitive agricultural goods from the agreements.

Ministers stressed a decision on lifting the beef ban would depend on advise from scientists, not politicians.

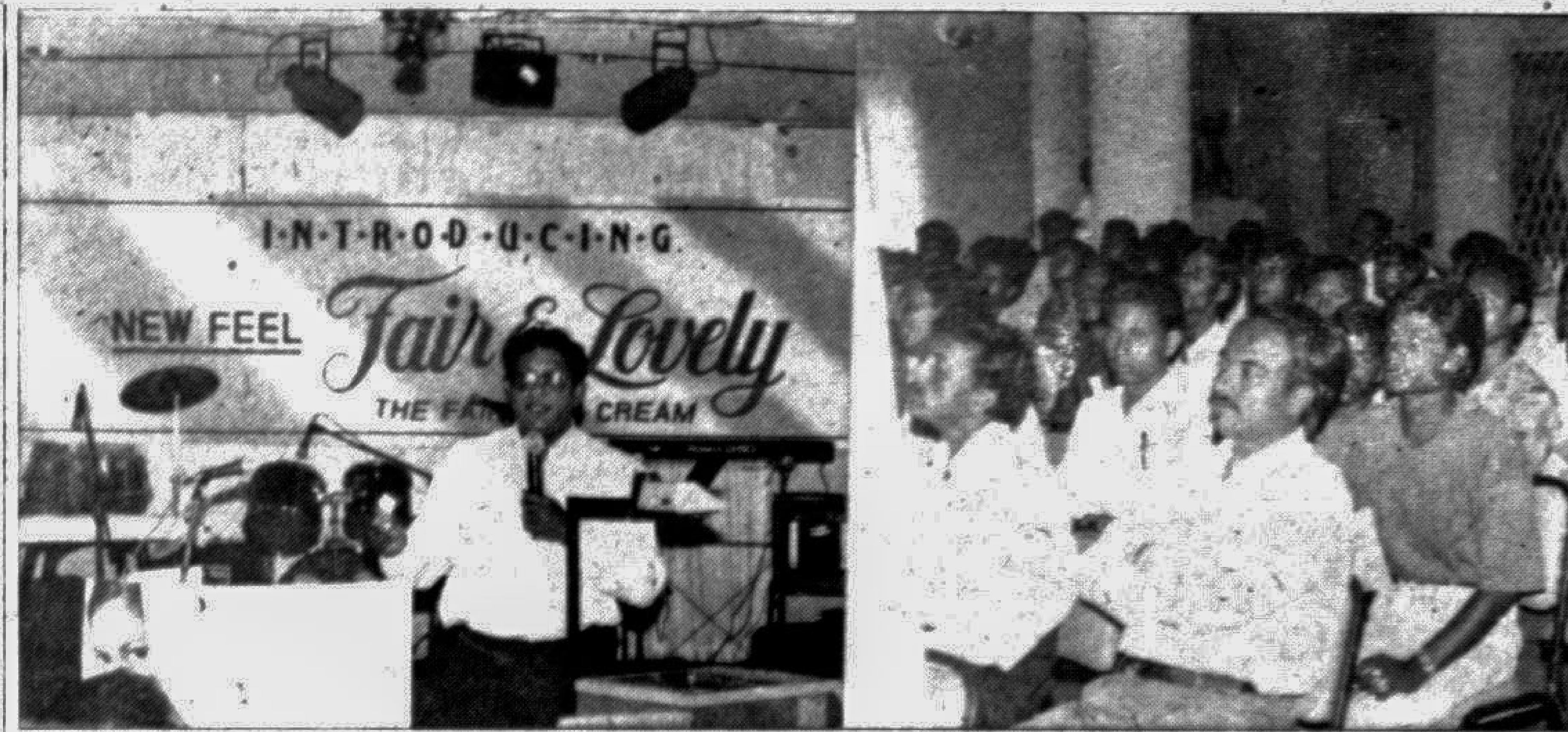
"The most important thing is what the experts say," Swedish Agriculture Minister Annika Ahnberg said in an interview. "It's not a political question."

Irish Agriculture Minister Ivan Yates said the ban would most likely be lifted "in stages and gradually" as Britain's makes progress in wiping out the cattle disease.

Britain plunged the EU beef market into chaos March 20 when it announced a probable link between a cattle disease common in British herds — bovine spongiform encephalopathy — and a deadly human brain ailment, Creutzfeldt-Jakob disease.

Britain's EU partners banned exports of British beef and beef products to prevent further damage to the market and to assure consumers the problem had been contained.

Since then, Britain has struggled unsuccessfully to get the ban lifted by pledging to destroy 42,000 cattle judged at high risk and other health safeguards.



Picture depicts relaunching ceremony of Fair & Lovely by Lever Bangladesh Ltd recently.

Fair & Lovely relaunched

Lever Brothers Bangladesh Limited relaunched their Fair & Lovely recently, says a press release.

The distributors and their sales forces from all over Bangladesh were invited to three colourful ceremonies held at Chittagong, Dhaka and Khulna. The Marketing Controller of Lever Brothers Bangladesh Limited Shahab Rizvi, the Marketing Manager of Personal Products AR Safdar, the Brand Manager Asif Iqbal and the Company Sales Manager Amiruzzaman Khan discussed the marketing highlights and brand history, the relaunch mix and the sales strategy.

The distributors were informed that because of regular research at different Unilever research centres around the world it is possible for LBBL to continuously improve their product formulation. They also conduct extensive research in Bangladesh to access local consumer demands and fulfill those with quality products.

Fair & Lovely, the number one cream in the skin care segment in Bangladesh, has recently been improved in formulation. The improvement in formulation and packaging was to meet the needs of the modern and quality conscious consumers of Bangladesh.

UN-Iraq oil talks resume

UNITED NATIONS, May 7: After the UN Security Council renewed stiff sanctions against Iraq, UN and Iraqi negotiators resumed talks on letting Baghdad resume selling oil to buy food and medicine, reports AP.

A successful outcome would enable Iraq return to world oil markets leading to a reduction in prices. High gasoline prices have emerged as an issue in the American presidential campaign.

Futures prices for light, sweet crude oil and petroleum products dropped Monday on the New York Mercantile Exchange ahead of the opening of the talks.

Arriving at UN headquarters, Iraq's chief negotiator, Abdul Amir al-Anbari, said Monday it was too early to tell whether an agreement would come this week. He met with his UN counterpart Hans Corell for about an hour and the two sides agreed to resume discussions Tuesday at 3 pm EDT (1900 GMT).

US Ambassador Madeleine Albright said the United States was hopeful the talks would succeed.

"We look forward to its success," Albright told reporters. "We believe the talks have a good basis for progressing and that in fact this relief will come."

The sanctions, reviewed every 60 days, have remained unchanged since they were imposed after Iraq's August 1990 invasion of Kuwait. The council says they will remain in place until it is satisfied Iraq has complied with UN orders to dismantle its weapons programmes.

Despite the sanctions, the council agreed last year to let Iraq sell one billion dollar every 90 days to buy humanitarian supplies.

The third round of the "oil-for-food" talks ended without agreement April 24, after the United States and Britain said a tentative accord contained loopholes that Iraqi President Saddam Hussein could exploit to buy prohibited military equipment and keep food and medicine from his opponents.

The UN offer requires that up to 150 million dollars worth of goods be distributed to Iraqi Kurds, who have been fighting the government for decades. The United States and Britain want Iraq to play no role in distributing to the Kurds. Iraq says that would violate its national sovereignty.

Secretary-General Boutros Boutros-Ghali said he hoped this round would be successful but added "I don't want to underestimate the difficulties."

"How do we obtain the coexistence of two concepts — strict control on the distribution of humanitarian assistance and the sovereignty and territoriality of Iraq," he said. "We are trying to find a way to compromise between the two concepts."

Gasoline prices have risen to their highest level in the United States since the end of the 1991 Gulf War, and Republicans have seized on the high cost of fuel as a campaign issue. Sen Bob Dole, R-Kan, said a bill proposing a repeal of the 1993 gas tax increase would be introduced in the Senate on Tuesday.

President Clinton has authorised the release of about 12 million barrels of oil from the nation's strategic petroleum reserves to increase supplies.

Israeli opposition leader pledges to lower taxes, revamp economy

TEL AVIV, May 7: Presenting a sweeping vision of Israel as a leading economic power, opposition leader Benjamin Netanyahu on Monday promised to slash taxes, free up the economy and sell off state assets if elected prime minister, reports AP.

"Israel could have a brilliant future," the Likud Party leader told engineers and architects gathered in Tel Aviv. But its potential is stifled by "one of the most controlled economies in the West," he said. Netanyahu argue that across-the-board reductions in individuals' income taxes will stimulate economic activity and ultimately increase government revenue.

"I will lower taxes (and) enact a massive cut in the bureaucracy that strangles business, (making) the economy much more open, much more free, much more healthy," he said.

The initial losses could be financed by a speedy sale of "at least 50 state-owned companies" as well as the state's reserves of land, he argued.

Netanyahu noted some Israelis now pay 60 per cent of their earnings back to the government — "hardly an incentive to work."

Despite Netanyahu's pro-business stance, most Israeli industry and economic leaders appear to support Prime Minister Shimon Peres, partly for fear that a right-wing government could end the peacemaking that has fuelled the past year's economic boom.

Netanyahu, whose party has long favoured Israeli control over the West Bank and Gaza, has opposed the Israel-PLO accords granting Palestinians autonomy in those areas. But he said he now accepts the changes and will keep talking peace with the Arabs — "only more cautiously."

Netanyahu trails Peres by about 5 point in most polls, but a resumption of terrorist attacks by Islamic militants opposed to the peace process could swing many voters his way.

Unveiling his economic programme Monday, he accused the current Labour Party government of fostering a false sense of prosperity by borrowing billions of dollars abroad.

He also denied Israel's economic growth — which totalled some 40 per cent in the past five years and brought its per capita income to more than 15,000 dollars — was a success.

"There is no reason for us not to be like countries whose per capita Gross National Product is double ours," he said.

He said a government that overhauled the economy could attract 3-4 million more Jews to Israel — where 80 per cent of the 5.7 million population is Jewish — and triple the its 85 billion economy in several years.

Credit Lyonnais HQs gutted

PARIS, May 7: A devastating fire which gutted the 19th century headquarters of Credit Lyonnais is the latest in a series of disasters to have hit the bank, which went from being the world's largest to the verge of bankruptcy in 1995, reports Reuter.

The fire, which was detected early on Sunday morning in the state-owned bank's modern financial trading room, could cost more than a billion francs (195 million dollars), Chairman Jean Peyrelevade told a news conference.

The bank had insured the building for between one and two billion francs.

Construction of the headquarters — the biggest private building in Paris — was begun in 1878 on the orders of Henri Germain, the founder of the bank, which became in 1914 the biggest in the world.

President Charles de Gaulle nationalised the bank shortly after World War Two to make it a financial instrument for France's economic recovery.

Credit Lyonnais never regained its former glory. Its recent financial woes are for a large part the result of an overambitious expansion plan by chairman Jean-Yves Haberer who was appointed in 1988 by a Socialist government and pushed to resign in 1993 when the Socialists were ousted from power.

Haberer wanted credit Lyonnais to again become the world's biggest bank and the institution gained market share by subscribing its huge loans and extended its presence by making a series of acquisitions not all of them were a success.

Russia suspends cargo train service to DPRK

SEOUL, May 7: Russia has suspended cargo train service to North Korea after Pyongyang failed to pay a freight bill of 30 million dollars, a South Korean government officials said Tuesday, reports AP.

The official, who closely watches North Korean affairs, said the case reflects the communist country's worsening economy, precipitated by lack of hard currency.

The Russia-North Korea train link across the Tumen River from Khasan, a Russian Far Eastern border city, was closed in April because of Pyongyang's failure to pay freight bills.

China plans to raise $4.5b for N-power plant

SHENZHEN, May 7: China plans to raise 4.5 billion US dollars in foreign funds for the construction of the Ling'Ao nuclear power plant in South China's Guangdong province over the next seven years, reports Xinhua.

"The State Development Bank has started to raise those funds by signing agreements with parties concerned to use about 2.3 billion US dollars in export credit provided by the British and French government last October," said Yao Zhenyan, president of the bank, at the opening ceremony of a representative office in the special economic zone in Guangdong.

China will organise international syndicate loans and issue bonds on overseas markets to take in the rest of the funds, said Yu Xiaoping from the Bank's International Finance Department.

The Ling'Ao nuclear power plant is the second of its kind in Guangdong and will have to generating units, each with a capacity of 900,000 kilowatts.

Its construction is scheduled to start in July and be completed in the year 2000, and will be wholly financed with foreign capital. Guangdong first nuclear power plant is in Daya Bay.

The opening of the representative office is part of the bank's efforts and provide better services for key state projects in Guangdong and Hainan province, also in South China.

BA donation to UNICEF

British Airways in India recently presented a cheque for Rs 12 lakh (GBP 24,000) to UNICEF, the United Nations Children's Fund, says a press release.

The money was raised from four British Airways Flights of Fantasy organised for children in the four metros — Delhi, Bombay, Madras and Calcutta — where British Airways has a significant presence.

Over 800 children, aged 6-15 years, were invited by British Airways from non-government organisations across India to experience the thrill of flying.

The Flights of Fantasy were sponsored by leading travel agents in each of the cities. Co-sponsors included the airline's bankers, ANZ Grindlays, Bharat Petroleum, Indian Oil Corporation, Oberoi Flight services, Trident Flight services, the Airports Authority of India and Air India ground handling services.

Change for Good

On February 14, the Duchess of Kent visited the slum clusters of Pulianthope in Madras where up to 20,000 people benefit from money raised by Change for Good, British Airway's worldwide fund-raising partnership with UNICEF.

The Duchess of Kent who is also Patron of the UK Committee for UNICEF, visited the British Airways-funded UNICEF project to reaffirm her support to the 4,000 families residing in the area.

US dollars 250,000 from the Change for Good programme has been donated by British Airways and the UK Committee for UNICEF to fund UNICEF-assisted programmes in Madras, Delhi and Calcutta.

Spanish PM urges businessmen to help tackle econ problems

MADRID, May 7: On his first day on the job, Spain's new prime minister appealed to labour and business leaders Monday to help him tackle the country's economic problems, reports AP.

As the country's first conservative government in 13 years took office, Prime Minister Jose Maria Aznar began seeking a social pact between major unions, the government and the national employers' federation.

Such an agreement will be "an essential first step to meet the government's top objective of creating employment," said Labour and Welfare Minister Javier Arenas.

Aznar, whose Cabinet members were sworn in Monday following the prime minister's inauguration a day earlier, spoke by telephone to labour and business leaders and agreed to meet with them next week, a spokesman said.

Unions have warned Aznar's Popular Party they will oppose cutbacks in welfare benefits and easing rules on layoffs.

The employers' federation, in a statement Monday, gave its "total support" to Aznar's plans to trim government and sell of state companies in order to lower the deficit and make Spain eligible for Europe's single currency in 1997.

Aznar has pledged to protect the welfare state while sharply cutting spending during this four-year term.

On Tuesday, the first meeting of the Cabinet which includes four women, one more than under the outgoing Socialists — is to approve a plan for job cutbacks among senior civil servants.

Finland's labour strike threatens to hit exports

HELSINKI, Finland, May 7: Finland's leading labour union Monday threatened to cripple national exports with a strike next week, if the government continued with its planned unemployment benefit cuts, reports AP.

The union had already called a one-day general strike for Friday to protest government budget cuts its says will hurt the roughly 17 per cent of the work force that is without jobs.

The additional strike would target the production and transport of Finland's main exports, including paper, pulp, wood products and electronic equipment, the 1-million member Central Trade Union Organisation said.

"The strike, on behalf (of those) on unemployment benefit will begin on May 15 at 6 am (0300 GMT)," said union chairman Lauri Ihalinen.

He said the strikes could be averted if the government agrees to reopen negotiations, but if necessary would last until the government is forced to make a new proposal.

Last week, trade unions called a one-day protest strike for May 10 by about 1 million workers that is likely to ground international and domestic flights, halt trains and buses, and close banks and supermarket chains.

Liquidity excess to liquidity shortage: Unexplained crisis

by Mohiuddin Ahmed

The high interest rate in the call money market reported in the newspapers in the last few days is alarmingly confusing and disturbing.

The rate ranged as high as 25-29 per cent. What is worse, it does not show signs of coming down. The managers of our economy — the Bangladesh Bank and the Ministry of Finance — are yet to come out with the whole story and a credible set of interventions to correct the situation. Meanwhile, the piecemeal news which appeared in the national dailies have sent the market into jitters.

The announcement by the Bangladesh Bank adds precious little in terms of either information or sensible analysis. It made a public announcement that there was no shortage of liquidity in the banking sector as a whole. It did not deny that money market rates were high — though not as high as reported in the newspapers. The fact that rates significantly higher than bank rate or normal lending or deposit rates have been persisting confirms beyond doubt that there is a shortage of liquidity. Interest rates cannot go up so high and persist unless there is shortage. The call market can operate only if some banks have still money to lend and some banks need to borrow. The announcement by Bangladesh Bank adds obfuscation to a critical economic situation.

The banks suffering from liquidity shortage are mainly the nationalised banks. It is difficult to say that they operate on commercial basis and lend on the quality of the borrowers. Their boards are packed with nominated directors — officials and political cronies. They are regularly hectored by the Finance Ministry to lend to 'worthy purposes and worthy persons.' They subscribed mostly to the long term bonds issued by the Government and embarked on long term lending on the basis of short term deposits. It is possible to transform maturities — i.e lending long term against short term deposit. But this can be done only within limited scope and provided the loans are regularly serviced. The nationalised banks had some serious adverse implications. Government bonds are free from risk. Even if the yield on government bonds are lower than other privately issued bonds or borrowing instruments, savers — especially small savers — are attracted to government bonds. Most of our savers are in this category. Issue of bonds for financing government deficits attracts household saving away from the market-related institutions for intermediation as well as the capital market. Government's method of financing deficit is detrimental to growth of the private sector as well as the capital market.

News also has it that the Government could not redeem bonds which had been sold earlier (Daily Star, May 5, 1996.) The Government is trying two options — both of dubious merit. First, it is trying to roll-over the bonds — at least some of them. Second, the Government is issuing new bonds proceeds of which shall be used for retiring the old bonds. The bonds sold earlier attracted lower interest rates; interest rates on all government long term borrowing instruments are much higher now. Partial roll-over and substitution of new bonds would actually mean replacing lower cost loan by higher cost loan. Furthermore, many nationalised banks which trade in government savings instruments paid to the certificate holders the maturity value of their instruments. These banks have not received payment from the Bangladesh Bank or the Government. When these are added up, government deficit will be much larger than it appears now.

The sale of government bonds at rates more attractive than market interest rates for loans of comparable maturity has some serious adverse implications. Government bonds are free from risk. Even if the yield on government bonds are lower than other privately issued bonds or borrowing instruments, savers — especially small savers — are attracted to government bonds. Most of our savers are in this category. Issue of bonds for financing government deficits attracts household saving away from the market-related institutions for intermediation as well as the capital market. Government's method of financing deficit is detrimental to growth of the private sector as well as the capital market.

The pressure on the banking sector has been growing for quite sometime, though apparently unnoticed or ignored by the Bangladesh Bank and the Ministry of Finance. The statutory ratios — SLR and CRR — had been reduced. As a result suddenly there was more fund available with banks than they could lend. The idle money did not enter the stream of expenditure in the economy and thus did not have any inflationary pressure — at least immediately.

In order to utilise the resource available, interest rates were reduced a number of times. However, it took some time for the private sector to shake off shyness. Unfortunately, the moment they responded to government's initiative the Government discovered that there was pressure on the foreign exchange reserve. The Government and the Bangladesh Bank clamped restrictions on import through variable LC margin, credit rationing, etc, apart from reluctant adjustment of exchange rate a number of times in small doses.

The Government also took advantage of the so-called excess liquidity. It borrowed money to finance expenditure. Issue of bonds to expand telecommunication system in the country, purchase of aircrafts, etc are all laudable endeavours no doubt; but once you try to see through the consequences they appear imprudent fiscal and monetary decisions. Both telecommunication and aircrafts are highly import intensive; raising domestic loan to finance foreign procurement immediately translates into depletion of foreign exchange.

The so-called excess liquidity was created by regulatory changes; contribution by additional deposit mobilisation was insignificant. If the Government borrowed again, there was little justification for lowering the statutory ratios; one of the main reasons — if not the only reason — for fixing high levels of CRR is that it allows government to borrow at no or very low interest cost; to the extent CRR finances government borrowing, the private sector is excluded from access to bank loan. If the money released through lower ratios is borrowed by the government, the rationale is destroyed: the private sector is excluded and the cost of borrowing goes up.

The government showed all signs of the Dutch Disease, knowingly or unknowingly. The country never had a substantial or sustained surplus on trade account or current account, despite the large and increasing inflow of workers' remittance. The overall surplus of balance of payments was on account of capital account — mostly advance disbursement of aid. When disbursement stopped or slowed down because of failure to implement reforms and other conditionalities, the balance of payments crisis surfaced. Anyone with slight insight into the relationship between domestic credit — including government deficit — and balance of payments could anticipate these developments.

Measures to protect the reserve at some minimum level — say 2.4-2.6 billion US dollars — was justified in the circumstances, but it had its cost. First, scarcity of supplies will develop pushing up prices. Food shortage is particularly sensitive; unless food prices can be maintained at a reasonable level, wages are bound to go up which will erode competitiveness for our export. Secondly, revenue is bound to drop considerably, if not dramatically. Nearly 80-85 per cent of tax revenue is from import-related taxes; with lower import overall tax revenue has to decline. This is happening at a time that the Government has to cut back on domestic borrowing also. Ultimately, this leads to an inevitable reduction of public expenditure. The magnitude of reduction is yet to be announced by the Government; meanwhile, the expectation is that the cut has to be quite deep.

The caretaker government is constrained by both constitution and prudent practices on defaulting on government bonds as well as on raising deficit. The bonds are a contract between the government and those who hold the bonds and any other kind of saving or loan instruments sold by the Government. The Government cannot renege on that contract. It cannot raise new loans to repay the old loans or raise the level of deficit to finance expenditure. Raising the level of deficit will pass on the burden to the next government.

While presenting the budget, the Government indicates the amount of deficit required. The parliament does not formally approve the amount of borrowing, but it is expected that the Government will remain with that limit except in very rare circumstances. Raising limit of deficit is a policy decision and not just a routine decision which alone the care-taker government is supposed to take.

While the care-taker government handles the crisis within the limitation mentioned above, the contending political parties are going to make it an issue. The former treasury will tend to blame the former opposition for the crisis; the former opposition, on the other hand, will blame the former government for imprudent fiscal and monetary management. The nation and the voters have to judge before they make their choice. It will be the obligation of the caretaker government to ask the Bangladesh Bank to publish a full report on the facts of the case so that no side gets undeserved blame and the citizens can make informed choice.

(The author is a publisher (UPL) and a columnist)

Foreign funded firms increase Chinese export to $11.64b

BEIJING, May 7: Foreign-funded firms kicked the downward trend in Chinese exports in the first quarter of 1996, posting export growth of 37.3 per cent to 11.64 billion dollars, a report said today, according to AFP.

While the figure was down on the 51.3 per cent growth registered in the first three months of last year, it stood in dramatic contrast to the 8.7 per cent drop in overall Chinese exports for the first quarter.

Total foreign trade turnover by overseas-funded companies in the January-March period was 26.44 billion dollars, up 32.2 per cent from the same period last year, the China Daily said, citing customs statistics.