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SANYO
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The Daily Star BUSINESS

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Asia-Pacific economies predicted to grow faster this year

SINGAPORE, June 11: Asia-Pacific economies will grow faster this year and next on the back of increased trade and investment after a soft landing in 1995, the Pacific Economic Cooperation Council (PECC) said today, reports AFP.

"We expect to see faster growth in 1996 and 1997 and inflation to further decrease," PC Leung Director-General of the council, said after releasing the eighth Annual Pacific Economic outlook report here.

The council forecast average growth rates of 3.9 per cent and 4.2 per cent respectively in 1996 and 1997 for 20 economies, up from 3.5 per cent in 1995.

It predicted inflation would fall sharply from 8.6 per cent in 1995 to 4.8 per cent in 1996, but warned that uncertainty over oil prices and grain inventories could limit the improvement.

Inflation problems still exist in several economies including China, Colombia, Indonesia, Mexico, Peru, Russia and Vietnam as well as Hong Kong, it said.

Balance of payments was tipped to improve, with sizeable reductions in the US current account deficit and the Japanese surplus that the report said would improve stability in the yen-dollar exchange rate and ease trade tensions.

The report analysed the economies of Australia, Canada, Chile, China, Colombia, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Peru, the Philippines, Singapore, Taiwan, Thailand, the United States, Vietnam and for the first time Russia.

Excluding the United States and Japan the growth forecast jumps to 5.5 per cent and 5.7 per cent, said PECC, a forum of business and government representatives and academics.

The report said expansion of private investment, rapid growth of international trade and implementation of economic reforms were spurring the economic recovery in the Pacific Rim region.

Private investment is forecast to be a leading sector in

most economies in 1996-1997 and is particularly important in China, South Korea, Peru, The Philippines, Vietnam, Canada, Japan and the United States.

"International trade is regaining its strategic role, and for the region as a whole trade volumes are growing at more than twice the rate of GDP (Gross Domestic Product)," PECC said.

Economies such as New Zealand, the Philippines and Vietnam had benefited from policy reform.

But PECC voiced concern over difficulties in completing reforms which it said were "most evident in China, where reform of state-owned enterprises has hardly begun," threatening Beijing's fiscal position and price stability.

Further reforms are also critical for Indonesia, South Korea, Mexico, The Philippines, Russia and Vietnam, it said. "While difficult to accomplish, comprehensive market-oriented reforms do promote growth."

The report painted a mixed

outlook for the United States, Japan and China.

For the United States, it forecast economic growth of 1.7 per cent and 2.3 per cent in 1996 and 1997, for Japan 2.4 per cent and 2.6 per cent and for China nine per cent and 8.5 per cent.

If the US economy were to perform even slightly better than forecast, it would substantially push up region-wide growth, said academic Toh Mun Heng, Singapore representative in the forecast panel.

He said all signals pointed to a "real possibility" of the Japanese economy recovering, not feebly as in the past.

Toh said the Association of Southeast Asian Nations (ASEAN) — grouping Brunei, Indonesia, Malaysia, The Philippines, Singapore, Thailand and Vietnam — were capable of sustained annual growth of six-to-eight per cent in the coming five years.

And the momentum of China's current expansion is such that it can grow seven-to-nine per cent annually for the next five years, Toh said.

Iraq, French cos discuss oil deals

PARIS, June 11: Iraq's Oil Minister Amir Muhammad Rasheed yesterday met French Oil Industry executive to talk about limited oil exports in exchange for food and medicines after the United Nations relaxed a 1990 trade embargo.

Rasheed declined to comment whether executives of his group were meeting Reuter.

Oil group Total Sa said top executives had met Rasheed on Monday morning to talk about oil deals and other business matters but no contract had yet been signed.

Rasheed met this morning with the top management of Total as part of his visit to France during which he is meeting government officials and representatives of other companies' a total spokesman said.

"We have talked in particular about the relaxation of United Nations (Security Council) resolution 986 and our further business interests in Iraq," she added.

Under an oil for food deal signed with the United Nations on May 20, Baghdad can export oil worth 2 billion dollar over six months to buy food and medicines. Iraq wants to double that amount.

The UN decision relaxed an embargo in place since 1990 when President Saddam Hus-

sain's troops invaded Kuwait. France and Iraq had close commercial ties before the invasion. A spokesman for Elf Aquitaine declined to comment whether executives of his group were meeting Rasheed.

At the French Employers Organisation CNPF, officials were busy organising a Tuesday "working session" between French companies and Rasheed.

It's all a bit in a hurry because Rasheed only told US on Thursday that he was coming, we are going to talk about the relaxation of the embargo and its implications," a spokeswoman said, adding the companies involved concerned both the oil industry as well as food, construction and drugs companies.

It was not clear which officials Rasheed would meet. Prime Minister Alain Juppe, Foreign Minister Herve De Charette and Industry Minister Franck Borotra are in Canada, aides for Trade Minister Yves Galland said no talks were planned.

Rasheed flew to Paris on Saturday after a ministerial meeting of the Organisation of Petroleum Exporting Countries (OPEC) in Vienna where the

cartel raised its output ceiling by 800,000 barrels per day to 25.03 million barrels per day to accommodate resumed exports by Iraq.

Iraq's State Oil Marketing Organisation (SOMO) is holding talks in Paris until Wednesday about resuming commercial relations. The list of invited companies includes Spain's Cepsa Sa and Repsol Sa, Italy's Agip as well as the Greek and Turkish state oil firms.

Iraq plans to export 450,000 barrels per day via Turkey and 330,000 through the Gulf terminal of Mina Al-Bakr.

France has supported efforts by Iraq to get the embargo partially lifted and Rasheed said in Vienna the country would sign contracts first with "friendly countries" such as France.

Elf and Total have already signed preliminary agreements to drill for oil when the embargo is lifted and recently reinforced their commercial presence in Iraq.

Elf is eyeing the oil field at Majnoon Island, in the south of Iraq and close to Iran, which has proven reserves of up to 30 billion barrels, the fields were damaged during the

1980-1988 Iran-Iraq War. Total intends to develop the Nahr Umar field south of Majnoon, where reserves are estimated at six billion barrels.

The UN decision to relax the oil export embargo does not yet allow resumed oil exploration by foreign companies.

BB bill auction results

The 84th auction of the 91-day Bangladesh Bank bill and the 14th auction of the 30-day Bangladesh Bank bills were held on Monday, reports BSS.

Six bids for a total of Taka 51 crore and 12 bids for a total of Taka 58 crore were offered respectively against the 30-day and the 91-day Bangladesh Bank bills.

Of these, all the bids offered against 30-day bill and 11 bids for a total of Taka 55 crore against 91-day bill were accepted.

The weighted average prices of the accepted bids of the 30-day and 91-day bills were Taka 99.41 and Taka 98.19 per 100 Taka respectively. The corresponding yields are 7.08 per cent and 7.39 per cent, Bangladesh Bank sources said.

World Bank suggests restructuring of Bangladesh's parliamentary system

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World Bank has suggested restructuring of Bangladesh's parliamentary system rewriting the rules of procedures and establishing an ombudsman's office for the sake of good governance, reports UNB.

Pointing out the flaws of the existing setup, it advised that ministers be prohibited from chairing the standing committees in order to strengthen the very system of standing committees and thus make the parliamentary accountability work in the country.

The agency laid particular emphasis on strengthening of the Public Accounts Committee.

World Bank, the agency that speaks for donors' community, made these recommendations in a report, Government That Works, Reforming the Public Sector published recently.

The report, which attempted to unveil legacies and weaknesses in the government sector penalising the national

development, questioned the effectiveness of parliamentary accountability in the country.

Parliamentary accountability is the bedrock of good governance. MPs have a responsibility to keep a continuous watch on the government — ensuring that it is responsive to the needs of the general public accountable for taxpayer's money ... In practice, however, parliamentary accountability has not worked well in Bangladesh."

World Bank detected "heavy weighting" of power in favour of the executive as a major cause of failed parliamentary oversight.

Explaining, the Bank report observed that after 1990 the levels of control enjoyed previ-

ously by the president had been simply transferred to the Prime Minister without significant modification.

"Under the Bangladesh Constitution, Prime Minister is in extremely powerful position."

To strengthen the parliamentary oversight, the Bank also proposed a "time-tested parliamentary practice of questioning ministers". There should be a system of weekly prime minister's question time and of ministers to answer questions regularly.

The World Bank recommended establishment of an ombudsman's office, as called for in the constitution, to monitor the functioning of executive agencies and adjudicate disputes and grievances.

US credit card default at highest level since '81

WASHINGTON, June 11: US credit card holders defaulted on their payments in the first three months of 1996 at the highest rate since the last quarter of 1981, the American Bankers Association (ABA) said today, reports AFP.

Missed payments rose to 3.53 per cent in the first quarter this year, an 11 per cent gain over the same period in 1995 (3.18 per cent) and a pace matching that registered in October-December 1981, said James Chessen, chief economist of the professional organisation.

"Consumer debt levels are surpassing those seen in the late 80s, just before the last recession," he said in a statement, warning that the latest rise in credit card delinquencies is a signal that more consumers are hitting their debt limits."

Chessen noted that with the current high levels of consumer debt and debt servicing costs relative to income, "a rise in interest rate would make it harder for people to pay their bills on time and would likely send delinquencies even higher."

Such a trend "would be a significant drag on the economy" this year, he said.

Consumer spending is the largest single engine driving the US economy, accounting for roughly two-thirds of the gross domestic product.

According to the federal Reserve's latest figures, consumer borrowing totalled 1.054 trillion dollars at the end of March. The fed was due to publish its April figures Tuesday.

A loan is considered in default if the payment is at least 30 days late, ABA said.

UK to sell 700 m shares of British Energy

LONDON, June 11: The British government inaugurated privatisation of nuclear electricity generator British Energy PLC on Monday by announcing it will sell all 700 million shares, says AP.

Barclays de Zoete Wedd, which is advising the government on the sale, will start shopping the offering to institutional investors Tuesday.

Barclay's said that "early indications so far are encouraging, and we are confident of strong international demand for the shares."

But analysts say the cost of decommissioning its eight nuclear power stations and prospects for electricity prices hang over British Energy's long-term prospects.

If British Energy was a straightforward company with

a secure future, it would have been privatized along with the rest of the electricity sector years ago," said Marshall Whiting of Societe Generale Straus Turnbull.

The sell-off, which is among the final steps in the 17-year long disposal of government-owned assets, is expected to raise around 1.5 billion pounds or about 2.3 billion dollars for government coffers.

It follows the pattern of previous sell-offs, with at least 30 per cent of shares set aside for small, private investors in Britain, and the rest offered to institutions.

The final price for the 700 million shares won't be known until July 15, when the shares start trading on the stock market.

China loses \$24b due to environmental pollution

BEIJING, June 11: China loses up to 200 billion yuan (\$24 billion dollars) and one million hectares of farmland each year to environmental pollution and ecological damage, the China Youth Daily newspaper said today, reports Reuters.

Every year, 34 per cent of China's land was affected by its spreading deserts while 2,200 square km (849 square miles) of cultivated land was lost to desertification and more than one million hectares (2.47 million acres) of farmland disappeared, the newspaper said.

The consumption of natural resources will rise along with the country's faster economic construction, it said.

The losses were equivalent to 20 times the damage from the Tangshan earthquake in

1976. China's most devastating earthquake in recent history that killed 240,000 people, it said.

China faces serious environmental problems as millions of private and collective rural enterprises that have sprung up as a result of economic modernisation since the 1970s have escaped government controls.

Cities with high concentrations of industry and population have suffered most seriously from air pollution and many factories and homes rely for power and heating on China's plentiful but highly sulphurous coal reserves.

China has said it may have to spend 450 billion in the next five years to keep its pollution problems, from worsening.



Kazi Abdul Majid, Managing Director of National Bank Ltd, addressing the regional conference of branch managers in Sylhet recently.

'Asia ranks first in terms of advertising opportunities'

SEOUL, June 11: Advertisers, tiring of slow growth in the United States and Western Europe, are spending more time and resources in Asia, but a fast-changing media environment in the region poses major challenges, experts said here, reports Reuters.

"Asia ranks first in terms of the advertising opportunities," said Martin Sorrell, Chief Executive of the world's largest advertising firm, London-based WPP Plc (WPP.L).

The region "is the most important in terms of advertising and marketing services in the world," Sorrell told reporters before speaking at the international advertising association's world congress.

WPP's Asian marketing services operations are growing nearly twice as fast as their western WPP counterparts, Sorrell said.

The region accounts for 25 per cent of the world's estimated 250 billion dollar market advertising expenditures.

The share will rise even further by 2010, when Asian advertising production will outstrip North America and Europe combined, said Shinji Fukukawa, Chairman of Dentsu Institute for Human Studies. Dentsu is Japan's largest advertising agency.

Until recently, the main problem for western marketers in Asia has been a media that could not carry the message to potential customers quickly enough, mainly due to government television stations dominating and immature market.

But now the problem is an explosion of more and more Asian media outlets, said Lachlan Murdoch, son of global

media Baron Rupert Murdoch and Deputy Chairman of Hong Kong-based pan-Asian Satellite Broadcaster Gstar TV.

Star, wholly-owned by Murdoch's News Corp Ltd (NCP, AxL), had virtually no competitors when it began but "very quickly a host of local entrepreneurs realised that they could successfully compete with US in their respective markets," Murdoch said.

In one market, Bombay, there were now 62 local channels competing with Star, he said. Toshitada Nakae, President of Asahi Shimbu, the Japanese media giant, cited the growth of new media like the internet that have no boundaries.

China still has along way to catch up with the developed nations in terms of media development," he said, but the country has accepted that advertising and media play an important role in economic development.

He made a pitch to the advertising group to consider the People's Daily and other government media as an advertising vehicle that "has gained the people's trust" and can "promote the sale and image of products."

Asian Wall Street Journal Editor Urban Lehner, who chaired a media panel, said consumers trust will be won over with fair and accurate reporting by independent news organisations.

Star's Lachlan Murdoch said "in virtually every country, a larger and broader based segment of society than ever before has disposable income. What they do with it, how they use it to change their lives, is a major challenge for us to respond to."

Such deals are increasingly popular among airlines seeking to expand their routes.

British Airways declined comment on the report other than to note it had not scheduled any joint statements with American. American Airlines in London did not immediately return a phone call from The Associated Press.

In May, Transportation Secretary Federico Pena tentatively approved a deal between United Airlines and Lufthansa German Airlines allowing them to operate as one company. The two had already been operating under code-sharing arrangement.

At the time, the Transportation Department said two similar applications were pending, one between American Airlines and Canadian Airlines International and the other involving Delta