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## Pakistan announces \$ 14.3b deficit cutting budget for '96-'97

ISLAMABAD, June 14: Pakistan, stuck with defence and debt servicing burdens, announced a deficit-cutting budget of "bitter medicine" for fiscal 1996/97 yesterday, reports Reuters.

State Minister for Finance Makhdoom Shahabuddin told the National Assembly the budget deficit would be cut to four of gross domestic product in the fiscal year beginning July from an estimated five per cent in 1995/96, as agreed with the International Monetary Fund (IMF).

Speaking over opposition caucuses, he told the lower house of parliament that Pakistan would stick to its accord with the IMF, which provided a 600 million dollar loan in December after a balance-of-payments crisis.

The medicine of economic reform and adjustment is bitter... but without it the patient will die," he said.

Scores of riot police guarded the parliament building to prevent a threatened demonstration by government clerks.

Members of the main opposition Pakistan Muslim League thumped their desks,

shouted abuse and hurled budget documents in front of the podium as Shahabuddin read his speech.

"Pakistan firmly believes in macro-economic stability and economic reform and intends to adhere to the standby agreement with the IMF and hoped to negotiate a medium-term extended structural adjustment facility," Shahabuddin said.

However, he said the maximum tariff rate would stay at 65 per cent, breaking a promise to the IMF to reduce the top rate to 55 per cent. "Budget deficit reduction is a more urgent task than tariff reform," Shahabuddin said.

IMF officials could not immediately be reached for comment.

The budget, envisaging total spending of 600 billion rupees (14.3 billion dollars), set aside 37 per cent for debt servicing, 26 per cent for defence and 21 per cent for development.

Shahabuddin said the economy would grow 6.3 per cent in 1996/97, up from a projected 6.1 per cent in the current fiscal year. He said inflation, running at 11 per cent in the year to April, was still too

high, but set no target for reducing it.

Shahabuddin said projected revenue for 1996/97 was 280 billion rupees, up from estimated receipts of 261 billion this year. "We are still living beyond our means," he declared.

He said the deficit would reach 60.9 billion rupees, double this year's 30.5 billion. The government planned to borrow no more than 20 billion rupees from the banking sector and raise 40.8 billion rupees in new taxes in 1996/97.

The government's domestic borrowing from banks in 1995/96 had reached 74 billion rupees by May 23, more than double the targeted ceiling of 28 billion, according to the central bank.

The budget got an initial thumbs-down from the Karachi bourse, staying open for a special session. The 100-share index slid 11.82 points, or 0.69 per cent, to 1,693.17 at the close.

"The first market reaction to the budget is negative as most tax exemptions have been withdrawn and new additional taxes have been im-

posed," dealer Ali Ashghar said.

Shahabuddin said sales tax would be imposed on imports and manufacturing, but not at the retail level. The standard rate would be raised to 18 per cent from 15 per cent.

Widening sales tax would generate revenue of 12.3 billion rupees, he said. Rate changes would bring in 13.5 billion.

Shahabuddin said a 10 per cent regulatory duty on imports, which the government had previously vowed to scrap, would stay. The duty was imposed in October as part of an emergency stabilisation package that included a seven per cent devaluation of the rupee against the dollar.

Shahabuddin said excise duty on telephone calls would be raised to 40 per cent from 35 per cent and would be applied to overseas calls for the first time.

Haji Shafigur Rahman, President of the Karachi Chamber of Commerce and Industry, said the budget would fuel inflation, deter industrial growth and cause hardship for ordinary people.

## US consortium announces big investment in Northern Ireland

BELFAST, June 14: A US consortium on Wednesday announced the biggest investment in Northern Ireland since the peace process took hold here two years ago with a substantial chunk of jobs created in Belfast's worst unemployment spot, reports AP.

Emerson Electric Corp. of St. Louis, Mo., and Caterpillar Inc. of Peoria, Ill., announced a 175 million dollars joint venture Wednesday to establish three new factories making diesel-powered generators in Northern Ireland.

Emerson and Caterpillar came to Northern Ireland partly because of the British government's offer of 36.4 million (56 million dollars) in aid for the five-year project, but it had a lot to do, too, with Emerson's good experience in a place that other multinational assume is too risky.

Two plants will be built and operated on sites already owned by Emerson's Northern Ireland subsidiary, FC Wilson Engineering Ltd, which employs 1,100 and exports diesel generators worldwide. Those two new factories are projected to employ another 1,100 workers in predominantly Protestant areas north of Belfast.

The third new factory will employ 400 in Catholic west Belfast, the heartland of the outlawed Irish Republican Army and a few hundred yards (metres) from the Berlin-style "peace line" that separates it from the Shankill, a similarly poor Protestant neighbourhood.

Neighbourhoods in the area suffer male unemployment rates of 40 per cent to 80 per cent, and for years the British government had despaired of attracting a major employer.

For one, the British and Gerry Adams, a west Belfast resident and leader of the IRA-allied Sinn Fein party, had something to agree about.

This investment is an unprecedented endorsement of Northern Ireland by two of the most successful, innovative and respected blue chip corporations in the United States," said Baroness Denison, the British government's economy minister in the province.

## Japan welcomes chance to take film dispute with US to WTO

TOKYO, June 14: Far from being worried by the latest development in its film-products fight with Washington, Japan on Friday welcomed the chance to take the dispute to the World Trade Organisation, reports AP.

Tokyo is betting it will get a more sympathetic hearing under the auspices of the fledgling Geneva-based trade watchdog than it has gotten so far from US officials on the trade fight, which pits US giant Eastman Kodak Co. against Japan's Fuji Photo Film Co.

The Clinton administration said Thursday that an 11-month US investigation had determined the accuracy of allegations made by Kodak, which charges that Fuji and Japan's government conspired to put up barriers to keep Kodak products from being widely distributed in Japan.

Administration officials described the film issue as a landmark case which for the first time would confront the Japanese system of "keiretsu," the interlocking relationships among businesses and the government that foreign companies have complained effectively keeps them out of the huge Japanese market.

In Tokyo, Trade Minister Shunpei Tsukahara disputed the US findings, saying the Clinton administration "seriously misunderstands the structure of and practices in the Japanese photographic product markets."

But although Tsukahara rejected the specific allegations, he welcomed the administration's decision to resolve the film case under WTO rules, saying it was a "constructive step."

Fuji, too, predicted vindication, saying the US finding "that the Japanese market is somehow closed is totally unjustified."

In going to the WTO, Washington has finally accepted our repeated requests... to examine the facts before a neutral forum," Fujifilm senior managing director Masayuki Muneyuki told reporters Friday.

Going to the WTO is a high-stakes gamble for the Clinton administration, representing an abrupt about-face from the way it has handled previous high profile trade disputes with Japan. In last year's auto

fight, an eleventh hour agreement was reached under threat of six billion dollars in US sanctions.

In the film case, however, the Japanese government has refused to talk to US negotiators, saying it would no longer be bullied by the threat of unilateral US sanctions under Section 301 of US trade law.

Kodak praised the administration action on Thursday even though earlier this year it had urged the administration to push forward with the Section 301 case and argued that only a portion of its complaints represented violations of WTO rules.

Kodak contends it has lost 5.6 billion dollars in sales since 1975 in Japan because of the trade barriers.

The US complaint accused the government of Japan of acting in a way that nullifies global trade rules. It also alleged "significant evidence of anti-competitive activities" by the government of Japan and charged that Japan's large retail store law unfairly blocked distribution of foreign products.

## Major's disruptive tactics in Europe's mad cow crisis become boomerang

LONDON, June 14: Prime Minister John Major's disruptive tactics in Europe's mad cow crisis have been turned against him at home by lawmakers in his own Conservative party, reports AP.

Major's government has disrupted European Union business since May 22 by vetoing most business requiring unanimous consent, until it gets a timetable for ending the EU's ban on beef exports.

Opposition leaders pounced Thursday on the news that two Conservative legislators, Hugh Dykes and Sir John Gorst, had persuaded the government to reconsider plans to close a hospital emergency room, by threatening to withhold their support.

With a majority of one vote in the House of Commons, just a few unhappy rebels can threaten the government's survival.

Former Prime Minister Margaret Thatcher added to Major's discomfort Thursday

by pledging money to a Conservative lawmaker who has led opposition to the government's European policies.

"Is he (Major) aware of the contempt people feel for a government whose policies now seem solely to be determined by the imprint of the last person that sat on him?" opposition Labour leader Tony Blair said during Prime Minister's question time.

Major denied that any such thing happened.

"The tactic by anyone of threatening to hold support generally in response to a specific demand is not going to work. It is not acceptable, it has not worked, it is not acceptable and it will not work," Major said.

As far as Gorst was concerned, it had worked and he had no regrets.

"Absolutely none. I would do it again, and I would hope that any other member of Parliament, faced with the life and

death situation of his constituents, would use every legitimate means to insure that their interests came before those of his party or his government," Gorst said in a BBC radio interview.

After meeting in London Thursday with Italian Prime Minister Romano Prodi, Major said they were making progress toward solving the impasse "but we are not there yet." Italy currently holds the presidency of the 15-nation European Union.

Major, who is far behind in opinion polls with a national election less than a year away, has had a difficult week within his party.

On Tuesday, 74 Conservative MPs — nearly one in four in the House — voted for a bill demanding a referendum on Britain's place in Europe, including whether the country should join a single currency.

It was all the more embarrassing because Bill Cash, Conservative sponsor of the bill, had financial backing from Sir James Goldsmith, a billionaire who has formed his own party and threatened to oppose any Tory MPs who didn't back a referendum.

Under pressure from the government, Cash announced Wednesday that his Eurocan Foundation would take no more money from Goldsmith.

Lady Thatcher, who has criticised Major's European policies in the past, disclosed Thursday that she would help support Cash's foundation.

"It is well known that the advocates of European federalism have never lacked access to funding. Not so those who seek to preserve British sovereignty," Lady Thatcher said in a letter to Cash. The amount of her donation was not disclosed.

## Foreign investment in ROK rises to \$ 961m in first 5 months of '96

SEOUL, June 14: Foreign investment in South Korea rose 26.4 per cent year-on-year to 961 million dollars in the first five months of 1996, the Ministry of Finance and Economy said today, reports AP.

The approved investment projects numbered 392 in the period, compared with 317 projects worth 760 million dollars in the same year a year earlier, the ministry said.

In the five-month period, foreign funds brought in the manufacturing sector totalled 507 million dollars, up 47.8 per cent over last year, while the non-manufacturing sector drew 454 million dollars, up 8.9 per cent year-on-year.

By region, investment from the European Union soared 97.3 per cent to 359 million dollars from January through May, while US investment amounted to 397 million dollars, up 33.5 per cent from a year earlier.

But Japanese investment dropped 50.9 per cent to 113 million dollars in the period partly due to a slowdown in Japan's economy, ministry officials said.

Foreign investment in South Korea has been on an upward trend since 1993, when it stood at 1.04 billion dollars, helped by South Korean deregulation moves, they said.

Starting in January this year, foreigners are allowed to invest in South Korea's 88 new industrial sectors including hotels, restaurants, communications, retail and insurance.

In 1995, foreign investment in South Korea totalled 1.94 billion dollars.

## China broadens crackdown on compact disc makers

BEIJING, June 14: China broadened its crackdown on compact disc makers, as US and Chinese negotiators prepared for talks Thursday to avoid a looming trade war over copyright piracy, reports AP.

In an "urgent notice," the Propaganda Department and six other agencies Wednesday ordered compact disc plants approved in "recent months" to stop operations.

The latest action appeared timed to answer US criticism that piracy is rampant while maintaining the officials' position that China has done its utmost to abide by a 15-month-old agreement to stop illegal copying of US movies, music and computer software.

The order, carried by the state-run Xinhua News Agency and read on the nightly national TV news, told officials to

revoke licences of plants set up without Beijing's approval and said new factories would be authorized.

Plants illegally producing compact discs for music and computer software account for most of the 2.3 billion dollars that US entertainment and computer industry groups say Chinese piracy costs them.

Washington has said that unless Beijing puts the pirates out of business — a crucial goal of the March 1995 agreement — it will go ahead Monday with punitive tariffs on two billion dollars in Chinese goods. China has vowed to retaliate.

Assistant US Trade Representative Lee Sands was to resume talks Thursday with Chinese foreign trade officials, their second meeting in two weeks.

Sands' boss, Charlene

Barshefsky, told Congress on Tuesday that China needs to take further concrete and verifiable action. But signals from Washington and Beijing indicate a deal is being worked out.

Unlike the two days of talks Sands held last week, this round has been dubbed by the US Embassy as formal negotiations. In diplomatic parlance, that means both sides expect to reach an agreement.

Xinhua quoted an unnamed foreign trade official Wednesday as saying that China hopes an agreement can be reached as early as possible.

Sands spent Tuesday and Wednesday in Guangzhou and other parts of southeastern Guangdong province, believed by Washington to be the centre of compact disc piracy.

## S Koreans drink DPRK's mineral water in record quantities

SEOUL, June 14: The war between South and North Korea may officially be far from over, but South Koreans are slurping up North Korean mineral water in record quantities, newspapers reported today, says AP.

In the first five months of 1996, South Koreans drank more than 3,000 tonnes of mineral water imported from North Korea.

It was sold under five different brand names, and far outstripped other foreign brands such as Evian, the Korea Herald said.

Evian was the second choice, with imports running at 982 tonnes for the January-May period, followed by SPA and Arkinayverdon.

Despite troops massed on both sides of the demilitarised zone separating the two Koreas, inter-Korean trade has been growing steadily since the nuclear scare in the north faded in 1994.

## Zimbabwe officials deny illegal elephant sales

HARARE, June 14: Two top wildlife officials denied charges Thursday they violated several government rules when they sold elephants during an acclaimed 1993 campaign to save animals caught in a severe African drought, reports AP.

Willie Nduku, head of the state wildlife department, and Bowan Martin, its chief ecologist — both government critics who say not enough is spent on wildlife conservation — were suspended from their posts last year.

The charges against the two men stem from their involvement in the 1993 campaign to save more than 700 drought-stricken elephants in south-eastern Zimbabwe.

Nduku is accused of selling 200 captured elephants to private parks in neighboring South Africa without proper approval, and using the 88,000 dollars in proceeds for his department instead of putting it in the state treasury.

He is also accused of failing to get government permission before securing U.S. and British donations to pay for elephant captures and before setting up a drought task force.

Martin is accused of negotiating with private donors and conservation agencies without authority, giving captured crocodiles to a private park and breaching state treasury regulations.

The men face fines or dismissal.

The two men pleaded guilty in a hearing before Harare magistrate innocent Magumbe, who rejected an application by state prosecutor Tendai Mangesi to hold the proceedings in private.

Mangesi said the case against Nduku and Martin contained "sensitive security matters."

## EU grants \$ 128 m in aid to ex-Yugoslavia

BRUSSELS, Belgium, June 14: The EU on Thursday granted 128 million dollars in aid to Bosnia, Croatia and Serbia raising its total humanitarian assistance to ex-Yugoslavia so far to almost 1.25 billion dollars, says AP.

The European Commission said Bosnia-Herzegovina, where "an estimated 2.4 million people are still in dire need," will get most of the latest aid: 97 million dollars for roads, housing, medical care and food.

Croatia and Serbia-Montenegro split the remainder.

EU Humanitarian Affairs Commissioner Emma Bonino said in a report "the entry into force of peace agreements has not brought about any perceptible reduction of humanitarian needs."

"International humanitarian aid provided to millions of people for more than four years of conflict has become of established part of life for a large part of the population of the former Yugoslavia.

"This unprecedented effort will have to continue during the months to come and in all likelihood well beyond 1996.

## Taiwan posts \$ 1.93b trade surplus in May

TAIPEI, Taiwan, June 14: Taiwan posted a trade surplus of 1.93 billion dollars in May up 143 per cent from a year earlier, because of the decline of the local currency against the US dollars, the Finance Ministry reported Friday, says AP.

It was the largest surplus since October 1987. The Taiwan dollar is now worth 27.73 against that US dollars, a drop of 2 per cent since the end of April.

Officials said the large trade surplus did not reflect a stronger economy. The weaker local currency made foreign goods more expensive and led to a sharp decline in imports, they said.

Exports were down 5 per cent from April to 9.54 billion dollars, while imports slipped 18 per cent to 7.61 billion dollars, the ministry said.

Exports to Hong Kong in May fell to 2.24 billion dollars, down 12 per cent from a year earlier, leaving Taiwan a surplus of 2.11 billion dollars.

About 80 per cent of Taiwan's trade with China is carried out through Hong Kong.

## Drilling to start at Indonesia's Kalimantan

SYDNEY, Australia, June 14: H.M.H. Gold Mining Corp Ltd expects to start a major drilling programme soon at its promising hard rock gold project in Indonesia's West Kalimantan province, says AP.

HMH Gold executive vice chairman Malcolm Stevens said the rig for the 1996 programme was now being moved to the site.

He said the initial programme will target four zones to build on the promising gold profile resulting from the 1994 shallow drilling programme.

## Scope of rubber/tyre industry in Bangladesh

by Dr SN Chakravarty

Gross Domestic Product (GDP) growth in Bangladesh fell slightly to 4.1 per cent from 4.2 per cent in 1994. Due to the improved performance of the manufacturing, construction and gas and power sub-sectors, the industry achieved a healthy 8.5 per cent growth, the report noted.

**Rubber production and consumption**

The natural rubber production and total consumption of rubber of Bangladesh for last 5 years is given in table. As it can be seen from this table the total consumption is approximately 6700 MT assuming that all the imported rubbers, both NR & SR, have been consumed during the year. The percentage growth of consumption per annum of the country had been erratic during the past 5 years, from 0 per cent to 38 per cent. Similarly the natural rubber production growth has also been very erratic.

Considering the different factors, it is expected that the rubber consumption of Bangladesh will substantially go up in the coming years at a rate of at least 10 per cent per annum.

It may be said that the total rubber consumption of the country should cross 12000 MT by the turn of this century.

**Rubber industry**

Present rubber industry of Bangladesh is small — mainly engaged in the production of

## Technology/Training

Initially, technological support could be availed from neighbouring countries to set up the plant and start production of quality tyres which can compete with imported ones.

Within a short time this will provide major base for rubber industry in the country leading to technology assimilation/ adoption and then to pursue further development in the field. Also, this will provide employment which in turn improve the purchase capacity of the society.

Further, such industrialisation will bring in taxes/levies to government exchequer. Initially, certain incentives should be considered for attracting investment and development in this sector.

University and Technical Institutions (applied Chemistry & Chemical Engineering departments) should look into the possibility of introducing rubber chemistry & technology in their curriculum so that students from such stream could be absorbed in rubber industry of Bangladesh, who badly need qualified personnel.

Indian Rubber Institute could provide help in such syllabus making, training and assisting in technology/consultant availability to Bangladesh rubber industry in their effort to build up the industry.

(The author is the Chairman of Indian Rubber Institute of Delhi, India.)

## Bangladesh (all figures in MT)

Year	Production (NR)	Growth (PC)	Consumption (NR)	Imports		Consumption (total) (MT)	Growth (PC)
				NR	SR		
1990	1300	-	1500	1000	1200	3700	-
1991	1100	-15	1300	2600	1200	5100	38
1992	1500	+36	1300	3700	1200	5200	23
1993	1300	-13	1600	3500	1200	6300	23
1994	2200	+69	2100	2400	1200	6700	6

## Persons from engineering/chemical engineering/applied chemistry stream in these industries to modernise and expand the manufacturing activity.

All major rubber products and machinery needed for processing are imported in the country. Similarly, all ingredients required for rubber compound/product manufacturing are imported — except party natural rubber which is produced in the country.

Expansion of natural rubber plantation should be considered to meet the country's requirement. Also, gradation of

## the country.

For urban transportation baby-taxi and buses play important role. Vehicle population of the country — 2/3 wheelers, cars, trucks — are increasing steadily leading to demand of tyres.

Total bus and truck population of Bangladesh in 1995 were 25194 and 31975 resulting in a total population of heavy vehicle of the country to more than 57000.

Assuming six tyres (sizes 8.25-20, 9.00-20, 10.00-20) per heavy vehicle per year total requirement of tyres per year works out to be minimum

## 342000. Added to this a much higher number of tyre for passenger car, baby-taxi, delivery van, two wheelers etc. are also needed regularly.

Further, tyres for farming i.e. tractor, animal drawn vehicle and industrial tyres are to be added to the total requirement. These factors show that rubber consumption of Bangladesh will definitely have a strong growth in the coming years, and an industrial policy for this sector needs to be seriously considered to support the economy.

It is quite practicable to undertake production of small tyres for two (including motor cycle & moped) & three wheelers (including baby-taxi) in medium scale. Sizes which could be considered are 500-10, 4.50-10, 400-10, 3.50-10, 3.50-8, 2.50-17, 2.25-17 etc. Besides, it is advisable also to go for cycle/rickshaw tyres which are mass & cheap transport system in Asian countries and Bangladesh has wide market for the same.