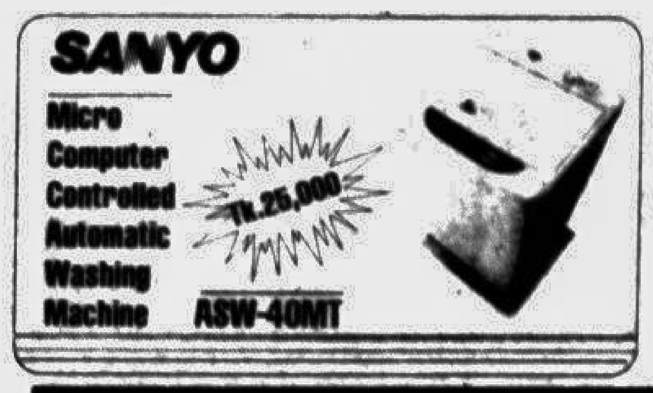

The Daily Star
BUSINESS

DHAKA WEDNESDAY, JUNE 19, 1996

Lack of geo-research hinders discovery of coal deposit

NATORE, June 18: Huge deposits of coal beneath the alluvial plain of North Bengal region, including Natore was predicted more than 150 years ago, reports UNB.

Despite this bright prospect, discovery of coal deposit in this region could not be possible due to lack of proper geological research and adequate fund.

Rupert Jones, a celebrated British geologists while working on the Raniganj coal field area of west Bengal, made the prediction of huge deposits in the Asiatic Society in 1829.

Another geologist of the Geological Survey of India in 1956, made a simple geologic correlation of the crystal feature about the Bengal plains and interpreted that another coal basin like that of Raniganj could be found beneath the area of Bogra, Shingra (Natore), Dinajpur and Rangpur.

In 1959, almost a hundred year later, the first exploratory well was drilled in the North Bengal region by the American Standard Vacuum Oil Company. They found coal horizon at the Kuchma well in the Bogra district at the depth of about 2380 metre below the surface, too deep for commercial exploitation.

Extensive efforts to discover coal deposits at a shallow depth was continued by the then Pakistan Geological Survey.

The second deposit was discovered in the Jamalganj (Joypurhat) area at a much shallower depth about 640 to 1100 metre beneath the surface.

The discovery of two coal basins in the North Bengal region gave the Geological Survey of Bangladesh enough merit to launch extensive geological and physical exploration aimed at finding coal deposits at even shallower depths.

The programme achieved success in 1985 when deposits of coal were discovered at Baropukuria in Dinajpur.

The coal seams are found at a very shallow depth of about 130 metres below the surface.

How was this coal deposit in the North Bengal formed? It happened in the long geological past — during the geologic period called Permian period about 290 million years ago.

As the theory goes, North Bengal along with the India mainland at that time, was joined to and was a part of the Gondwanaland — a super continent formed by the combined landmass of Australia, South America, Africa and Antartica. This super continent was lying far off the southern hemisphere.

The geologists have enough reasons to believe that during the Permian period, thick forests with swampy wetlands existed as pockets of basins scattered all along the Gondwanaland.

There were some great depressions when the vegetation materials of swampy forests were deposited along with sands and clay sediments. As the materials were subsequently buried further beneath the surface the vegetation materials turned into coal, the sands became sandstone and the clay became shales.

It is learnt that the Baropukuria coal deposit has an area of about 5.25 square kilometres. The total reserve of the coal of Baropukuria is about 300 million metric tons in six coal seams lying between 118 and 506 metres below the surface.

The rank of coal is a higher bituminous grade. The sulpher content of the coal is very low and heat value is 11040 BTU/Lbs. Production level of one million tons of coal per year could be sustained for about 50 to 70 years depending upon the method of mining.

The Jamalganj deposit, discovered in 1962 in the Joypurhat district, is so far the largest deposit in the country.

The extent of the coal beds is about 38 square kilometres with seven coal seams between the depths of 640 and 1158 metre beneath the surface.

The coal mining from the Jamalganj deposit is technically feasible but the economic feasibility of the project has been disputed because of the considerable depth of the coal seams.

Several other Gondwana basins have been delineated by geophysical methods in North Bengal and the chances of finding good quality of coal are as bright as those of previous discoveries, according to a geologist.

Experts suggested more research and investigations to discover these natural resources hidden in the region for the interest of the development of national economy.

HongKongBank gets approval to set up branch in Dhaka

The Hong Kong and Shanghai Banking Corporation Limited (Hong Kong Bank) has received approval from the Bangladesh Bank, the country's central bank, to establish a branch in Dhaka, says a press release yesterday.

The full-service branch, HongKongBank's first office in Bangladesh, is expected to open by the end of this year. It will offer a range of corporate, retail and trade services.

Andrew Dixon, Hongkong-Bank General Manager International, said: "We are pleased to be opening a full-service branch in Dhaka. It will be an important addition to the bank's regional network, and will enable us to play a part in the country's development."

With Bangladesh's export sector assuming increasing importance in the country's overall economy, Hongkong-Bank will focus on providing trade finance to local and overseas manufacturers. The provision of securities custodial services will also be an important business.

HongkongBank, which together with its subsidiaries has over 500 offices in 19 Asian countries, is a principal member of the HSBC Group. The HSBC Group, with over 3,000 offices in 71 countries and over GBP227 billion in assets, is among the world's largest banking and financial services organisations.

Acting US Secretary of Commerce Mickey Kantor and Chairman of the President's Economic Council Laura D'Andrea Tyson pause in the press-room of the White House as reporters ask questions on June 17 about a trade agreement between the US and China over intellectual property rights. The agreement between the US and China forestalls a costly trade war between the two countries. —AFP/UNB photo

Copyright piracy deal with China doesn't end the problem : US

WASHINGTON, June 18: A deal averting a trade war between China and the United States over copyright theft is a "significant step" toward protecting intellectual property protection but does not end the problem, US officials said, reports Reuter.

They said at a White House news conference that the deal struck between US and Chinese negotiators in Beijing included commitments to close pirating plants, open markets and more closely monitor the activities of compact disc plants remaining in operation.

"We want to emphasise that these are significant steps," White House economic policy adviser Laura Tyson said at a news conference. "This is real progress. But the enforcement of intellectual property rights, not just in China, but around the world, is a long-term process."

But Tyson said making progress "does not mean the problem is solved" and she and other US officials vowed to keep close tabs on China's efforts to enforce the agreement.

"We will continue our work with China until its (intellectual property rights) enforcement is self-sustaining," acting US trade representative Charlene Barshefsky said at a news conference in Beijing." It is certainly not there yet. But China's recent actions represent necessary and important steps in that direction."

The United States was set to impose punitive 100 per cent tariffs on two billion of Chinese imports, while Beijing vowed to retaliate with similar sanctions against US goods.

Washington was reacting to what it said was Beijing's failure to live up to a February 1995 agreement to crack down on theft of US copyrights, patents and trademarks.

Secretary of Commerce Mickey Kantor said he would welcome more support from Europe and Japan in dealing with China on trade issues. US officials have often complained about a lack of support from its allies on disputes with China.

HK govt welcomes deal

AP says from Hong Kong: The Hong Kong government on Tuesday welcomed the latest US-China deal to combat copyright piracy, but newspapers doubted the battle was over.

"We can expect a repeat next year. And the year after. The problem will not go away as long as American products are beyond the reach of the many and corruption is so widespread on the mainland," the Hong Kong Standard editorialized.

China and the United States went to the brink of a trade war before agreeing late Monday on a blueprint for stamping out piracy of American movies, compact disks and computer software.

Washington had threatened to impose punitive tariffs on Chinese exports unless Beijing cracked down on factories producing counterfeit goods.

A Hong Kong government statement called the deal 'good news' for the British colony, which depends heavily on China trade and feared a trade war would cost it more than 11,000 jobs and knock 0.4 percentage points off its growth rate.

It said the measures would help Hong Kong's own battle against the counterfeit software freely available in its stores.

The agreement helped boost the Hong Kong dollar to 7.7418 against the US dollar at midday trading, from 7.7442 Friday. The market was closed Monday for a holiday.

Jack Cheung, head of Hong Kong dollar trading at HSBC Markets, said the trade dispute had been one barrier and obstacle that was causing the Hong Kong dollar to weaken."

On the stock market, the blue-chip Hang Seng index was up 78.14 points to 10,943.13 at midday.

Mark Michelson, chairman of the American Chamber of Commerce in Hong Kong, said the deal 'bodes well for the future of Sino-US relations."

Foreign capital and modern technology essential to China's economic development will be more forthcoming if China can demonstrate effective intellectual property protection," he said in a statement.

India to cap fiscal deficit, warns of large scale lay-offs

NEW DELHI, June 18: India's new government of Prime Minister H D Deve Gowda yesterday unveiled policies aimed at limiting the fiscal deficit to four per cent of the gross domestic product (GDP) and prune runaway expenditures, reports AFP.

In its first policy statement, Gowda's 17-day-old united front coalition government also warned of large scale lay-offs of redundant government workers as part of its sweeping austerity drive.

It hinted of a freeze on wage increases and allowances of government employees other than defence personnel and said rocketing expenses on pay-packets were neither "desirable nor sustainable."

Finance minister Palaniappan Chidambaram said economic prudence was needed to curb government spending and shore up resources.

"The government recognises and reiterates that fiscal prudence is the key to low inflation, stable price levels and rapid growth," he said.

Chidambaram, one of the supporters of the 1991 open-market policies of then prime minister P V Narasimha Rao, said the government, in which Communist Parties are partners, would also try to rein in the fiscal deficit.

"The government is committed to reduce the fiscal deficit to below four per cent of the GDP," Chidambaram said in his pre-budget policy paper.

India's fiscal deficit in financial 1995-96 to March is 18.2 billion dollars, or 5.9 per cent of the GDP.

Chidambaram said programmes and schemes of the government would be reviewed and evaluated to determine their relevance.

"This exercise will be initiated immediately and so identification of redundant schemes can be completed by September 1, 1996 and decisions on phasing out these activities can be taken," Chidambaram said.

The Finance Ministry would supervise the weeding out of "unproductive" programmes and projects identified as "low priority."

The federal 1996-97 budget would focus on containing wasteful expenditure and recognise India's revenue constraints, the finance minister said, adding that "rigid adherence to budgetary ceilings" would be maintained.

Chidambaram predicted the steps would prevent a loss of 857 million dollars, adding his government would also set a target of five per cent returns from India's chronically-ill state-owned enterprises.

"The present percentage of returns on equity investment in the public sector is only 1.8 per cent", Chidambaram said, hinting of harsh measures to try to tone up some 235 loss-making national firms in coming days.

The minister ordered government departments to slash redundant manpower "in the shortest time possible" in line with the 13-party united front's plans to drop unproductive and capital-intensive projects.

Lending risk analysis course ends at BIBM

A 12-day course on "Lending Risk Analysis" conducted by the Bangladesh Institute of Bank Management (BIBM) ended yesterday, says a press release.

The course highlighted the various aspects of lending risk analysis such as Borrowers Financial Statement Analysis, Credit Scoring System, Business Risk Analysis, Security Risk Analysis etc Participants were drawn from different banks and financial institutions.

The Director General of BIBM, A.H.M. Nurul Islam Choudhuri presided over the concluding session of the course. Speaking on the occasion he said bad loans affected adversely on banking operations and economy of our country. So bankers should analyse the loan proposals carefully before sanctioning the loan. He highlighted the importance of lending risk analysis in banks in the overall context of sound loan portfolio management and sustainable economic growth of the country. He remarked that without lending risk analysis viability of loan proposals can not be properly assessed. He hoped that lending risk analysis manual (as developed by Financial Sector Reform project) would help the participants to identify risky loans and thus increase their professional excellence.

The concluding session was marked by distribution of certificates among the participants by the Director General. A total of thirty-four participants attended the course. Saidur Rahman and Mr. K.S. Sarwer Uddin Ahmed, BIBM faculty members, jointly coordinated the course.

Brazil makes scant progress in narrowing rich-poor gap

BRASILIA, June 18: Brazil made scant progress in the early 1990s towards narrowing the gap between its richest and its poorest, the United Nations said yesterday, reports Reuter.

The first comprehensive UN study of human development in Latin America's largest country said Brazil continued to have one of the greatest inequalities of wealth in the world.

While the rich south enjoyed a quality of life akin to some European states, the north and northeast were marked by a equal or rivalling many of the world's less developed countries.

The inequality of wealth in Brazil is still very pronounced, Eduardo Guimeraes, technical coordinator of the research project, said.

Based on data about health, wealth and education from 1990 and 1991 which local UN officials said was still valid for 1996 the 185 page study said 42 million people, one fourth of Brazil's population, were living in poverty.

It said the richest 20 per cent controlled 65 per cent of national income while the poorest 50 per cent earned only 12 per cent on average, the richest 10 per cent earned 30 times as much as the poorest 40 per cent, compared with ratios of 25 times in Peru, 10 in Argentina and five in Europe.

Bundesbank sees light at end of economic tunnel

FRANKFURT, June 18: Germany's central bank saw light at the end of the economic tunnel in its monthly report published this week, with inflation under control and the appreciation in the mark curbed, reports AFP.

The Bundesbank noted some glimmers of hope of an improvement in industrial performance and notably in exports, while stressing that they are not definite signs of recovery.

Despite the undoubted lightening of prospects in foreign trade, the speed up in exports is not yet definitely guaranteed," the report said.

But German industry appeared to have touched bottom, and the basic conditions for recovery were being met, even if in many firms the mood remained gloomy.

The Bundesbank pointed to a sharp increase in orders from abroad since the last quarter of 1995, adding, German companies seem to be set to share in the strong expansion in world trade.

"They have had notable successes, particularly in areas of strong growth in South-East Asia and Eastern Europe."

The Bundesbank attributed the success to the improvement in the exchange rate of the mark since its high level of early last year, and important steps by firms to restructure and cut costs.

The bank warned, however, that many companies were increasingly using sub-contractors based abroad, reducing the proportion of German content in exported goods.

While orders from abroad might be healthy, many might be actually carried out by subsidiaries of German firms based elsewhere to reduce costs.

The bank also said that under use of capacity and moderate pay rises were keeping inflation down, even though M3 money supply had largely exceeded the target growth for 1996 of between four and seven per cent.

The economy is not suffering in any way from excess liquidity, the Bundesbank said.

A M A Muhith, former minister for finance and planning, speaking at the monthly meeting of the American-Bangladesh Economic Forum (ABEF) at the Dhaka Sheraton hotel on Tuesday.

France launches competition to design Euro coins

PARIS, June 18: France yesterday launched a competition to design coins for the Euro, the future single European currency to go into circulation in 2002, reports AFP.

All 15 European Union member states are scheduled to stage competitions for the new coins, which will have one national and one European face, French Finance Minister Jean Arthuis said, adding that France was the first to launch the competition.

LME dives deeper into despair

LONDON, June 18: The London Metal Exchange LME dived deeper into despair on Monday as prices slipped in the wake of huge losses unveiled at the Japanese trading house Summitomo corp last week, reports AFP.

Dealers wondered how the company's head trader Yasuo Hamanaka a Guru in the copper world Mister five per cent by doting colleagues because of his company's grip on global copper supplies could have stacked up losses of at least 1.8 billion dollars over a decade without being caught.

As Jittery soul searching swept the market, three month copper prices slumped by seven per cent in early unofficial trades on Monday.

An analyst at the billion metals trading house, Agus Macmillan, said that prices plummeted when the market first opened, but then picked up slightly at mid morning to 1,950 dollars per tonne.

The fall compounded a slide in prices which began last Friday after Sumitomo unveiled losses run up in regular trades on the London and New York markets, copper prices fell by six per cent in the immediate aftermath of the announcement.

Macmillan said these fluctuations reflect the "Extreme nervousness of the market", which is currently in "Limbo and complete uncertainty" because of the crisis sparked by Sumitomo.

Experts at the GNI Research Group expressed their concern that the Japanese giant might be forced to sell some of the enormous stocks of copper that were amassed by Hamanaka in secret deals.

Such liquidations would brig vast quantities of copper onto the market, which might knock prices into free fall. But the president of Sumitomo was at pains to state that his company would not quit the market in one foul swoop and unleash such a wave of selling.

Central banks and financial regulators here, in the untied states and in Japan have agreed to lunch a coordinated rescue plan to prevent any melt-down in copper prices in the wake of the Sumitomo affair, the British press said yesterday.

The British press said the US hedge funds had been fighting a hidden battle with Sumitomo over recent weeks because the Japanese trading house sought to inflate copper prices.

But an analyst at the Rudolf Wolff trading house, William Adams, predicted that the investment funds might not seek to drive copper prices ever lower.

He said they might be tempted to buy copper on the market once their copper contracts had been liquidated in order to cover their trading positions from a future rise in prices.

Nonetheless, experts here said that sooner or later copper prices would be forced downwards by a burgeoning production of minerals around the world.

Adams said that "We have moved on from a supply deficit during the past two years to a surplus".

A number of leading copper producers have decided to step up output levels in 1996 and 1997.

The London analyst said that this increase in supply will mean that copper will command lower prices in the future, the question is to know when prices would fall, Adams said.

Cost of living high in Monrovia

MONROVIA, June 18: Three weeks after factional fighting ended in the Liberian capital, Monrovians now face a new threat a ferocious rise in the cost of living, reports AFP.

55 kilo (120 pound) sack of rice, a staple food for Liberians, now sells for 55 US dollars. Before clashes broke out in early April, the same amount of rice sold for 21 dollars.

How do the business people and the government expect us to survive with this kind of unscrupulous price increase asked Moses Acquoi, a school teacher, who has not been paid for the last seven months.

"I could only afford 55 kilos of rice if the government paid my seven months salary arrears today, said Acquoi who normally earns 500 Liberian dollar (roughly 10 US dollars) every month."

The price of other foodstuffs used as cheaper substitutes for rice, such as wheat, cassava, eddoes and plaintains, have also sky rocketed.

Wheat provided by aid agencies and clearly marked not to be sold or exchanged has tripled in price from 10 to 30 US dollars per 55 kilo sack.

Fish sugar butter, flour and meat products have increased in price by similar margins.

One Lebanese trader said the new rice price was justified because he had to pay for extra time in Freetown, Sierra Leone, while factional fighters clashed in Monrovia for seven weeks in April and May.

Some civilians have turned to food for work schemes organised by the United Nations World Food Programme and other organisations.

Seoul to allow 100 pc foreign owned banks operate in '98

SEOUL, June 18: South Korea plans to allow 100 per cent foreign owned banks and securities houses to operate here in 1998 the Ministry of Finance and Economy (MFE) said yesterday, reports AFP.

The ministry will also further liberalize the stock market, raising the foreign stock ownership ceiling from the current 18 per cent per listed company to 20 per cent July 1996, 23 per cent in 1997, 26 per cent in 1998 and 29 per cent in 1999.

The sweeping market opening package is a part of South Korea's effort to clear the way for its planned entry into the Organisation for Economic Cooperation and Development (OECD).

US widens probe into Sumitomo corporation's $1.8b loss

WASHINGTON, June 18: US investigators have widened their probe of Sumitomo Corp's 1.8 billion dollars loss to encompass all firms the Japanese metals giant dealt with in the copper market, the Commodity Futures Trading Commission said, reports AP.

The investigation intensified amid disclosures that questions about the scandal's central figure were raised more than five years ago by another copper trader, David L. Threlkeld. Threlkeld alleged that Sumitomo's chief copper trader, Yasuo Hamanaka, had asked him to falsify trading records in 1991.

Sumitomo had said in announcing the losses last week that it became aware of improper trading by Hamanaka only earlier this month.

Sumitomo said Thursday that Hamanaka falsified the company's books and records to cover up the estimated $1.8 billion in losses over 10 years. Hamanaka, who was based in Tokyo, has since been fired.

In a statement Monday, acting chairman of the commission John Tull described a sweeping review of Sumitomo's trading and business relationships.

"In order to restore the confidence necessary for this market ... I have directed the commission staff to examine any and all relationships, financial or otherwise, between Sumitomo and any of the business concerns whose identities have surfaced or will surface in the course of the commission's surveillance of the copper market," Tull's statement said.

The CFTC is the main US regulator for commodities and futures markets. It investigated companies whose activities may influence the markets.

One of the companies under the commission's review is Global Minerals and Metals Corp of New York, according to a source familiar with the investigation, who spoke on condition of anonymity. Global Minerals sold Sumitomo contracts to buy copper, according to Global attorney Peter Havles.

Global has denied wrongdoing and said it isn't a target of any CFTC Sumitomo probe, Havles said, but the firm has been subpoenaed to provide information for a general investigation by the commission into unusual volatility in the copper markets.

The commission also is reviewing Winchester Metals Ltd., the source said. The firm is a trading arm of Winchester Commodities Group Ltd, of Winchester, England, which handled many of Sumitomo's trades on the London Metal Exchange, where most of the world's copper is traded.

In another development, two sources said the CFTC formally questioned Hamanaka in April. That interview tipped off commission investigators that "something was wrong" with Hamanaka's copper trading, according to one of the sources, a regulator who demanded anonymity.

The April deposition of Hamanaka, part of a broader review of irregularities in the copper market, compelled the commission to work even more closely with the British Securities and Investment Board to focus on Hamanaka, the source said. Asked about the deposition, Sumitomo spokesman John Burke said the company had been cooperating with regulators since the fall in the broader investigation.

Meanwhile, a broker who once dealt with Hamanaka disclosed that the Sumitomo trader asked for his help in falsifying trades.

Threlkeld, a Vermont based copper trader, notified the Chief executive of the London Metal Exchange in 1991 that Hamanaka sent a fax requesting he backdate a series of trades that never took place.

Hamanaka wrote that the request was "for our company's internal accounting purpose only and I guarantee that this will not cause you any trouble ...." The handwritten note ends in capital letters: "Do me a favour for this."

"I was disturbed about his pattern of trading," Threlkeld said of Hamanaka. "I was then convinced when he sent me the request that my suspicions were correct."

Threlkeld said his complaints were ignored by the London Metal Exchange.

"David King, Chairman of the London Metal Exchange, said Hamanaka "was not subject to the jurisdiction of the LME" and so the exchange couldn't bring an enforcement action against him. King said LME officials discussed the letter with the Securities and Investment Board, which oversees Britains financial markets, and Sumitomo management.

The LME had Sumitomo release Hamanaka's letter to the public in 1991, gaining some press attention. However, it was unknown at the time Hamanaka allegedly was engaging in unauthorized trading.

Threlkeld said he had one of his employees do an analysis of some of Hamanaka's trades, and they didn't make sense. As a result, Threlkeld confronted two employees in his London office. Both left to form their own firm, Winchester Commodities Group.

A telephone call placed to Winchester Asset Management, an affiliate of Winchester Commodities, wasn't immediately returned.

"Winchester came under scrutiny last year by a British regulator for its copper market dealings, but no charges were filed.