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**HYUNDAI**

CARS THAT MAKE SENSE

Cairo summit to highlight economic policy reforms

WASHINGTON, June 23: A major topic of the Cairo Economic Summit, scheduled to open in the Egyptian capital on November 12, according to US Undersecretary of State for Economic Affairs Joan Spero, will be "economic policy reforms at the national level to encourage investment and private sector growth," reports USIS.

Spero told a June 21 kick-off briefing at the Commerce Department for American businessmen who are expected to participate in the three-day conference in Egypt that the summit will also "emphasize the important role of deregulation and privatisation" for small, medium and large enterprises.

Co-hosting the briefing was Undersecretary of Commerce for International Trade Stuart Elizenstat who underlined that prosperity, whether in the Middle East, Northern Ireland or Bosnia, was "the best antidote to the appeal of violence."

The Middle East/North Africa economic summits, according to the senior Commerce official, "served to refocus the world attention in that region and the trade and investment opportunities that it offers."

Spero and Elizenstat were also flanked by Toni Verstandig, Deputy Assistant Secretary of State for Near Eastern Affairs, and Judith Barnett, who is to assume the office of deputy assistant secretary for the Near East at the Commerce Department, as well as the ambassadors of Egypt, Jordan, Tunisia and Oman and the head of the Palestine Liberation Office in Washington.

Spero began by noting that while diplomacy was necessary to negotiate peace, "it is economic growth and cooperation that are essential if peace is to take root."

As the Middle East peace process was moving forward,

she continued, "it became clear that efforts by governments alone would not be sufficient. Private sector-led growth is clearly the best route to rapid, sustainable economic development. This is the model that worked in East Asia and Latin America, and it will work in the Middle East as well."

In other words, she underlined, "governments can make peace, and they can create the climate for economic growth, but only the private sector can marshal the resources necessary for sustained growth and development."

She noted with satisfaction that national policies in the region that "stood in the way of the private sector are being changed, making each country in the region more business-friendly and open to trade."

At the regional level, she identified the regional contacts and institutions that have been built "to anchor the peace process and build a solid foundation for private sector growth."

Her point was that "all these developments are mutually reinforcing, as peace, economic reform and regional contacts build on the others' successes."

At this point, she discussed the Middle East Development Bank, whose US share of its funding is facing an uphill fight in Congress, and accordingly has consumed most of her time, compared with the other summit institutions — the Regional Business Council and the Middle East-Mediterranean Travel and Tourism Association. Acting much like a merchant bank, she said the bank will use its small capital base "to leverage its existing resources in the private sector, the World Bank and other multilateral institutions."

She stressed, "We are confident that this unique institu-

tion is the right approach to promote regional development in the Middle East. Spero then reviewed the highlights of the earlier two summits. At Casablanca, site of the first conference, the message was the free mingling "for the first time" of Arab and Israeli business and government leaders. At Amman, the summit "clearly demonstrated the importance of economic reform to promote sustained development."

In Cairo, she stressed, "we hope to take it one step further by linking business deals to specific reform steps on the part of the regional governments."

She said the programme offered for the Cairo summit will focus on specific sectors of the Middle Eastern economy: food and agriculture, chemicals, electronics, engineering and construction, energy, financial services, textiles, transportation, and tourism. "While past meetings laid the foundations for regional cooperation," Spero promised, "this meeting will seek to build on those foundations and produce concrete results."

Eizenstat's presentation was more nuts and bolts, spelling out what the Commerce Department hopes to do in the time before and during the summit provide "every feasible service to ensure that the American business community is a full partner in every aspect of the summit."

Recalling that at Casablanca Christopher described the region as "open for business," and at Amman it was "in business," Eizenstat said, "In Cairo we hope to declare that the Middle East and North Africa are conducting business as usual." He reported that intratrade in the Middle East amounts to only 8 per cent of total trade while, by contrast, in the European Union it is estimated to reach about 60 per cent.

BA signs first franchise accord with Comair

British Airways has signed its first franchise agreement with a company based outside Europe — with the South African regional airline, starting from October, says a BA press release.

This marks only the second international expansion of the franchise brand outside the UK, following last month's announcement of a similar agreement with Sun-Air, the Danish regional carrier.

Comair will remain a separate independent South African company. Its fleet will be reopened in British Airways livery with Comair clearly displayed as the operator.

George Cooper, British Airways Director UK and Africa said: "This agreement with Comair represents an important landmark for British Airways. It is the first time that we have extended the franchise network beyond Europe and will strengthen our position quite significantly in the South African market."

The addition of Sun-Air from Denmark and Comair to the British Airways network represents the first state of our plans to take the franchise brand to other parts of the world.

Piet van Hoven, Comair Managing Director, said: "Over the past two years we have been seeking a partner to develop our service and meet the increasing demands of our customers. This includes the need for a competitive alternative to regional services in Southern Africa."

Its cabin and customer service staff will wear British Airways uniforms. In flight service will echo that offered by British Airways on its European routes and services.

The franchise does not involve any equity investment but in keeping with British Airways standards, Comair will offer business class seating and the interior of its aircraft will also carry the new identity Comair reservations will transfer to the British Airways RTZ system by October, which also runs on Galileo.

WB Resident Mission chief tells The Daily Star With transparent policies, country's economic growth should reach 7 pc

By Staff Correspondent

The chief of the World Bank (WB) Resident Mission in Dhaka, Pierre Landell-Mills, observes that with transparent policies and good governance, the country's economic growth should reach seven per cent in a couple of years.

"I think the growth this year will be below that of the previous year on account of some difficulties, and may be next year will also be affected by the impact on investment and exports of garments," said Landell-Mills. "But if the next government can run the country smoothly and political stability is restored, Bangladesh can obviously expect better growth to get back to earlier level and even go higher, he added."

The WB chief was talking to The Daily Star in an exclusive interview last week.

The economic crisis prevailing in the country is partly because of expansion of government expenditure, said Landell-Mills. It is a failure to collect taxes and allowing government expenditure to rise faster than could be financed properly, he observed.

The recent political turmoil had discouraged investments, both local and foreign, that will have an adverse effect on the economy for quite a long time. There is an urgent need to restore confidence. With a more effective government, the country will now be able to repair the damage boosting economy," the WB chief hoped.

The government should give priority to bring down the system loss in the power sector by way of implementing the policy approved by the cabinet 18 months ago, he said.

He added that the Power Development Board (PDB)

should follow the example of Rural Electrification Board (REB) in bringing down system loss.

"Which is of utmost importance is that different sections of the distribution system lying within the rural areas need to be transferred to REB," he mentioned.

private sector or closed down because the losses are enormous, he pointed out.

There are some arguments that some of the public mills have improved their performance recently and there is an export demand that can only be met from these mills, but I do not think that there is any

has been acknowledged to be a bad way of encouraging investment because it attracts the investors who want to make quick return and not necessarily come to the country on a long-term basis and encourage distortion in the kind of investment.

There are other ways of attracting investments which are better, such as, accelerating privatisation, he suggested.

About divestiture programme of the nationalised banks (NCBs), the WB chief said that the preparation had not yet been done and it would be possible to privatise one bank by next year.

Dwelling on the need to restore macro-economic stability in Bangladesh, the WB chief said the recent political crisis has left a tremendous impact on the economy which needs to be overcome. The job will be really challenging for the new government, he added.

There has been a loss of foreign exchange reserves, there is a high level of borrowing created by the government which is potentially inflationary, and there is going to be some shortfall in revenue, he observed.

To avoid the inflation, it is important to cut budget deficit," he said.

Asked if there is a need to levy more tax to reverse the budget deficit, Landell-Mills said "there is no need to levy more taxes."

There is a need to tighten revenue collection, to get the tax payers who are not paying taxes. When the last government came to power, it drew a list of people who were not paying the taxes," said the WB chief adding that the government failed to pursue these tax evaders.



Pierre Landell-Mills

Concerning the fate of the stalled jute sector reform programme, he said this is up to the next government to decide whether to implement the programme or not.

It is also very important to restructure the jute industry and the loss-making mills should either be sold to the

valid reason for not privatising these mills," said Landell-Mills.

Asked if there had been any evaluation about the social impact of golden handshake programme, he replied in the negative and said "There ought to be an evaluation."

On tax holiday, he said "it

Cane industry faces threat

By Fateh Osmani

SYLHET, June 23: One Mohammad Shahidullah of Mollapara, a sleepy village of Sylhet, had first borrowed the wicker technology from Chinese experts some two hundred years back, says News Network.

Shahidullah, died but his neighbours in adjacent areas of Kalapara, Dahar, Ghanitola and Lamapara have been carrying on his knowledge for generations. With their dedication and craftsmanship, they made the cane furniture as the symbol of beauty and good taste.

But the wickermen in Sylhet now see their future bleak. Some 20,000 men and women, currently involved in the profession, are scared of non-availability of local cane. They say local cane has virtually become non-existent and, as a result, the industry is becoming dependent on smuggled cane. Their concern is that dependence on smuggled cane is pushing the cost up, threatening to turn the industry price inoperative.

When the market of cane furniture continued to expand, indigenous production of cane dwindled at an alarming rate. As a consequence, the industry is now grappled with serious cane crisis.

Sources at the frontier areas said a huge quantity of quality canes were being smuggled into the country

from neighbouring India and Burma to meet the growing demand.

Talking to News Network correspondent, local businessmen alleged the government had never taken any initiative for development of the cane industry despite its potentials to earn foreign currency.

"The cane furniture has become popular even in America," said Akram Ali, owner of the Juhli Cane Centre and Factory in the town.

But, he said, the businessmen have to buy high quality canes from the smugglers at an exorbitant price. "So production cost is soaring," he said.

Once Sylhet was abounded with canes and the industry developed here on plentiful supply of quality local cane. Gone are those days. Jali and Gollu, quality varieties, have almost become non-existent. Businessmen are buying those from the smugglers.

Cane is virtually being depleted with indiscriminate felling of trees. Although the government is trying to replenish the loss by massive afforestation programme, it, unfortunately, has no plan for cane plantation.

Moreover, Ali said there was barrier on import of cane. He said foreign cane could

have been cheaper if it was imported through official channel.

Cane furniture and other cane-based decoration pieces have always been a popular commodity specially to the people of good taste. The demand is still growing both at home and abroad and, in fact, at a faster rate than anytime before. In spite of rising prices, cane items are still hot. A modern sofa-set at a Green Road shop is being sold between Taka 30,000 and 40,000 and a garden set with a table and four chairs between Taka 1,900 and 8,000. "Yet, people buy it. That says the potential of cane industry," boasted Akram Ali.

Wickermen as well as traders of their produce said government should immediately come forward in aid of this century old cottage industry. Planned plantation of quality cane in hilly areas of Sylhet and Chittagong could be a lasting solution. As an interim measure, however, the authorities should ease import of cane so that price competitiveness of the industry does not suffer more.

Growth of cane industry has an added advantage. Less dependence on wood furniture means less deforestation and a boon to environment.

American farmers gain in US-China trade fight

WASHINGTON, June 23: American farmers have a big stake in the continuing fight over US-Chinese trade relations, reports AP.

Farmers are expected to ship 2.5 billion dollars worth of agricultural goods to China this year.

The Agriculture Department says the value of farm exports to China will be about 100 million dollars less than a year earlier. But just two years ago the total was just one billion dollars. China shifted from being a net exporter of grain in 1994 to a net importer in 1995.

"Important changes have been taking place in China's agricultural trade because it is beginning to export more processed and high-value products and import more land-intensive and semi-processed goods," USDA said.

Heading the list of US farm exports to China are wheat, corn, soybeans and cotton.

US-Chinese trade relations have been marked in recent years by protests about human rights violations in China and allegations that Chinese officials winked at the pirating of US computer software, recordings and other intellectual property.

Lanka's short-term economic prospects remain gloomy

COLOMBO, June 23: Sri Lanka's short term economic prospects remain as gloomy as ever, as the war-battered economy has suffered a double blow from a sharp fall in farm and industrial output, analysts said today, reports AFP.

Lengthy power cuts since March, a prolonged drought affecting vast areas of farm land ever-increasing defence spending to battle Tamil Tiger guerrillas will inevitably slow down the economy this year, analysts said.

Justice and Constitutional Affairs Minister G L Peiris agreed that it will not be possible to achieve the 5.5 per cent economic growth the country recorded last year, down from 6.9 per cent in 1994.

He told the Foreign Correspondent's Association (FCA) here Friday that the budget deficit, which was 8.4 per cent of GDP last year, will be much higher this year because of the battle against the rebel Liberation Tigers of Tamil Eelam (LTTE).

The main reason for the escalating expenditure is, of course, the war," he said. "We will have to substantially increase the amount to be spent on the war. Never in our coun-

try has so much been allocated for military purposes," he said.

First quarter corporate results have been poor with almost all companies suffering low turnover and disappointing profits, accelerating an already steady decline of the Colombo Stock Exchange (CSE).

"Even the blue chips have now joined the bear run," senior broker Elton Ebert said. "There is nothing that could lift the market in the short term, but the prices are a bargain."

The John Keells group, one of the biggest of Sri Lanka's blue chip firms, with diversified business interests, suffered a 6.6 per cent drop in profit for the year ending March 1996.

The power cuts and trade union agitation in the plantations point to a decline in the rate of economic growth," John Keells Chairman, Ken Balendra, said. "The year 1996 will indeed be a difficult one for the country."

Minister Peiris, who is also the junior Finance Minister and responsible for presenting the budget in November, admitted that the prospects were gloomy but said there was no need for alarm.

The government has escalated the war against the LTTE

in the Northern Jaffna Peninsula in a bid to establish political stability in the country and create an environment for more local and foreign investment, Peiris said.

"Our government upon assumption of office believed that if this problem is to be sorted out once and for all, you had to take the war to the fountainhead of the LTTE."

Government forces have captured the peninsula in a series of operations since October, but the rebels continue hit-and-run attacks in the eastern regions of the country.

The government was using the military thrust not as a final solution, but as a means to implement a radical power-sharing plan originally unveiled by President Chandrika Kumaratunga on August 3, the minister said.

Kumaratunga has proposed to turn Sri Lanka into a federal state in all but name in exchange for ethnic peace between the majority Sinhalese and the minority Tamil communities.

No amount of fiscal incentives could stimulate investments unless there was political stability, the minister said, adding that the military push was aimed at removing the strike capability of the tigers.

Trade war would have hurt US more than China

BEIJING, June 23: The United States would have suffered more than China had their talks on copyright piracy resulted in a trade war instead of agreement, the official People's Daily said Thursday, reports AP.

The front-page commentary in the Communist Party newspaper heralded the agreement reached late Monday, but suggested the United States blinked first during the negotiations carried out under the threat of US sanctions and Chinese counter-sanctions.

"The history of trade retaliation is a double-edged sword, the more developed a country is, the higher its dependence on the international economy," People's Daily said.

"Imposing sanctions against a developing country like China, might have made the US side feel good for a while. But it is the US side that would have suffered the greatest losses."

People's Daily editorials and commentaries are approved at the highest levels of the party and reflect official opinion.

Ideologically bankrupt after nearly two decades of capitalistic economic reforms, the party has increasingly turned to nationalism to rally support.

Commodity market: Prices of oil, tea rise over the week

LONDON, June 23: Copper, the star commodity during the past two years, was toppled from its pedestal by the revelation that Japanese giant Sumitomo Corp. had racked up enormous losses over a 10-year period, reports AFP.

Suspected intervention by a swathe of central banks and the London Metal Exchange (LME) was not enough to halt the rapid decline of copper prices which hit their lowest level for two years.

Dealers were terrified that Sumitomo would off-load its positions to recuperate some of its losses. They had already put their money on fall in prices as global copper production looked set to boom. Before its internal crisis, Sumitomo was one of the only key players on the copper market to wager on a rise in price.

Copper's slide hit prices across the base metal complex on the LME and slashed trade in precious metals.

Among the other commodities, renewed tension between the United Nations and Baghdad gave oil prices a fillip. But grain prices softened as the market expected a plentiful wheat harvest across Europe.

Gold: Modest. The gold market was very quiet this week, when prices floated around 384 dollars per ounce, almost unchanged from last week.

Dealers have grown increasingly worried by a lack of demand from investors "no one wants to buy this kind of thing any more," one beanoed. Another dealer said the lack of interest in precious

metals was because of the copper crisis sparked off by Sumitomo, which had left dealers extremely nervous.

Silver: Recovery. The metal picked up a little after last week's freefall. Prices rose by about 10 cents to 5.1 dollars per ounce. But the market remained quiet after testing times on the copper market.

Platinum: Heavy. Platinum remained low at 392 dollars per ounce, as the market still feared that the Russian central bank might off-load some of its stocks.

Copper: Trembling. The market found it extremely hard to recover from last Friday's shock announcement by Japanese trading house Sumitomo of colossal trading losses on the New York and London copper markets.

Early in the week, the market seemed frozen by the news that Sumitomo's top copper trader, Yasuo Hamanaka, had amassed losses of 1.8 billion dollars in secret transactions over 10 years.

"No one appeared to want to trade," said one trader.

But panic was also avoided. "A lot of pressure was applied by influential people in a lot of places to ensure the copper market was stable," an LME official said.

Prices did plunge seriously on Monday, to below 2,000 dollars per tonne. But a strong fall in LME warehouse stocks then encouraged investors to return to the market, and

pushed prices up on Tuesday and Wednesday.

However, in the end, the market, torn by indecision and nervousness, began to crash again and prices fell below 900 dollars per tonne, the lowest since April 1994. Prices fell by seven per cent in the space of a week.

"Some believe that Sumitomo either has, or will liquidate part of the metal that Hamanaka piled up through his underhand dealings, which would release a flood of copper on to the market and depress prices."

Other experts hold that prices fell this week after investors began to sell part of their options or contracts, with the prospect of a surplus in global copper output in 1996 and 1997.

The chief financial watchdog in London, the Securities and Investments Board (SIB) announced Wednesday it had launched a detailed review of the functioning of the London Metal Exchange (LME) in the light of the Sumitomo affair.

British fraud police last week began a criminal investigation of Hamanaka's trades in London and several US investigations are taking place into Sumitomo's transactions on the New York Comex market.

Lead: Firm. The price of lead first advanced and then fell slightly to similar levels to last week at around 780 dollars per tonne.

grew by 1.5 per cent to 1.84 million tonnes in the first five months of 1996, compared to the same period in 1995, the International Lead and Zinc Study Group (ILZSG) said.

Stocks on the LME increased by 825 tonnes to 92,500 tonnes.

Zinc: Fall. The price of zinc fell slightly by 10 dollars to 1,025 dollars per tonne, dragged down by copper's decline and a lack of demand.

Consumption of this metal used in anti-corrosive treatment and the manufacture of alloys fell by 5.5 per cent in the first five months of 1996 from the same period in 1995, according to the ILZSG.

LME reserves declined by 11,000 tonnes to 584,800 tonnes.

Aluminium: Losses. The metal fell by around 10 dollars to 1,505 dollars per tonne, under the effect of copper and a build-up of stocks on the LME.

Global aluminium production rose by 100 tonnes per day in May from April to a daily average of 50,600 tonnes, the International Primary Aluminium Institute said on Thursday.

LME reserves increased by 38,100 tonnes this week to 903,250 tonnes.

Nickel: Fall. Prices fell by about 150 dollars to 7,750 dollars per tonne.

The market remained unaffected by the publication of Russian data which showed

that production at the Norilsk Nickel Plant in Siberia, which is the world's leading nickel producer, fell sharply. Dealers remained sceptical about the accuracy of the Russian figures.

LME stocks fell by 1,140 tonnes to 32,436 tonnes.

Tin: Tumble. Tin prices fell by 25 dollars to 6,190 dollars per tonne, in the wake of copper. Stocks rose by just 20 tonnes to 10,520 tonnes.

Oil: Sturt. Renewed tension between Baghdad and the United Nations (UN) sent Brent North sea crude prices upwards on the London futures market this week, following speculation that a return of Iraqi oil to the international market might be delayed.

The reference price for the crude rose by about 50 cents to 18.45 dollars per barrel.

Last week, Baghdad refused to let a team of UN inspectors enter key military sites in Iraq as part of their quest to seek out banned military hardware.

The UN Security Council ruled that this was a "manifest and flagrant" breach of resolutions made by Iraq in a ceasefire to the Gulf War in 1991.

Dealers expressed concern that the renewed tension might delay the release of limited quantities of Iraqi oil on to the international market as negotiated last month to finance humanitarian aid for Baghdad.

But an announcement Friday that the UN had destroyed a bacterial warfare plant in Iraq may have eased

the tension, dealers said.

Rubber: Low demand and high production levels dented rubber prices on a quiet market. In London, the rubber index fell by 2.5 pounds to 1,000 pounds per tonne.

Cocoa: Melt-down. Cocoa prices fell by 40 dollars to about 1,100 pounds per tonne as interest in the market subsided.

But the GNI trading house predicted that prices were set to rise because of a fall in the forthcoming cocoa crop.

Initial estimates put a figure of about 800,000 tonnes on the Ivory Coast harvest next season (1996/97), down from a 1995/96 harvest of one million tonnes. If the predictions are true, an existing shortfall of supply over ever-increasing worldwide demand would be heightened further.

Coffee: Strong. Coffee prices rose by about 50 dollars to 1,800 dollars per tonne, as fear of frost in Brazil persisted and the New York market witnessed a dramatic fall in stocks.

Some dealers feared that Brazilian plantations might soon be hit by frost, but for the time being, the GNI trading house remained sceptical.

Tea: Lift. Prices in London auction houses rose by two pence for medium quality teas to 110 pence per kilo.

A United Nations-backed agreement between the main producing countries and consumers to give consumption a lift through a publicity drive

helped the market.

Sugar: Solid. Sugar prices held firm at 347 dollars per tonne on a market which remained tight because of a lack of shipments and strong demand.

Rumours of strike action at the Brazilian port of Santos and administrative delays slowed down exports from Brazil, which helped market prices.

Vegetable oils: Slip. Vegetable oil prices fell because improved weather conditions in the United States were expected to help the planting of soy.

On the Rotterdam Market, Soy prices fell by 3.5 guilders to 94.5 guilders per hundred kilos. Palm oil prices fell by 12.5 dollars to 497.5 dollars per tonne. On the Kuala Lumpur market, prices fell because of technical sales.

Sunflower fell by five dollars to 570 dollars per tonne and rape seed oil fell by 2.5 guilders to 96 guilders per hundred kilos.

Favourable weather forecasts for American wheat crops sent prices into a spin on the Chicago board of trade, where the contract for delivery in July was trading below 4.94 dollars per bushel (27.210 kilograms), from five dollars before.

In London, the wheat price fell by four pounds to 115 pounds per tonne.

In the European union, this year's wheat crop should be

five million tonnes above the total 87.2 million harvested in 1995, said the head of the European Commission's Agriculture Directorate, Guy Legras.

He said there will be no "famine" as some have warned, since grain harvests will be fairly plentiful all over the world, and the tension on international markets should fade after the 1996 crop.

According to the United Nations Food and Agriculture Organisation (FAO), the world output of grains in 1996 should be 6.5 per cent above 1995 levels.

"If the conditions remain favourable up until harvesting, the world should produce 571 million tonnes of wheat (up four per cent), 883 million tonnes of secondary grains — all grains other than wheat or rice — (up 10 per cent), and 374 million tonnes of processed rice (no change), the FAO said.

Maize prices strengthened because heavy rainfall in the United States risked delaying seed sowing there.