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Lack of appropriate law slows down FDI process in Bangladesh

By Govinda Shil

Lack of appropriate law to protect patent, design, trademark, copyright and intellectual properties is slowing down the process of Foreign Direct Investment (FDI) in the country.

This has been revealed in a research paper prepared by a US Professor Mazhar H Islam.

In his paper titled 'Foreign direct investment in Bangladesh: Evidence and policies' Islam said although the private sector now accounts for 80 per cent of manufacturing production but yet the state controls key manufacturing industries notably power and telecommunications, together with railroad and airline transportation services.

Islam, who recently made a visit to Bangladesh and attended several meetings on economic development issues of the country, is an Associate Professor of Economics and Finance Department of the Texas A and M International University.

He has also pointed out some other problems relating to FDI flows in Bangladesh. It is not clear whether the provisions of repatriating profits are applicable to all exports though the government has allowed taking profits back.

About the low wage rate, he said the labour productivity is very low and the working condition and work ethics are underdeveloped.

Islam also pointed out that underdeveloped money and capital markets, poor facilities for dispute settlement, corrupt practices, lengthy bureaucratic procedures and political instability in the country are hindering the flow of FDI into Bangladesh.

During the 1980s a growing number of developing countries including Bangladesh changed policies and regulations in an attempt to attract greater amount of FDI. But overseas entrepreneurs felt that not only incentives either fiscal or non-fiscal, but also political climate, transparency in administration and bureaucracy were responsible for attracting FDI.

On behalf of the overseas entrepreneurs including US Mark Van Fleet, Manager of International Business Exchange for the US Chamber of Commerce (USCC), opined in a Worldnet Dialogue from Washington DC on July 31 that copyright piracy should be stopped to help grow foreign investment in the developing countries.

He also said that an increased correspondence and professional visits from both the sides would help build a congenial atmosphere for more FDI in the developing nations.

Abu Dhabi invites bids for setting up pipeline to supply gas to Dubai

ABU DHABI, Sept 1: Abu Dhabi has invited bids for construction of a pipeline to supply natural gas to Dubai to meet the fellow emirate's fast-growing demand, an economic magazine said yesterday, reports AFP.

The French company Technip, which is carrying out the project's feasibility study, has informed international firms they could start offering bids to the Abu Dhabi National Oil Company (ADNOC), emirates today said.

"Technip has invited world companies specialised in developing gas fields to offer bids to carry out the engineering and technical work of the pipeline project to supply Dubai with gas," the weekly said, quoting sources.

The 120-kilometre (75 mile) pipeline will link Abu Dhabi with the Dubai free-trade zone of Jebel Ali.

ADNOC and Jebel Ali officials declined to comment on the report, but industry sources said the two emirates, the biggest members of the United Arab Emirates (UAE), had finalised an agreement on gas supplies.

Gas will come from Abu Dhabi's onshore Khuff Field in which about two billion dollars will be spent to produce more than 15 million cubic metres (500 million cubic feet) of the fuel per day the sources said.

Abu Dhabi, by far the largest and wealthiest UAE emirate, controls the bulk of the country's gas reserves of about 5.7 trillion cubic metres (190 trillion cubic feet) and more than 90 per cent of the 98 billion barrels of oil.

Taka steady against dollar in interbank trading

The Taka has been maintaining steadiness against dollar in the interbank trading with lower demand for the greenback as the currency dealers are cautiously watching the economic trend with the change of government in the country.

The dealers said here that the country's money market would start gaining momentum from the middle of the next month because import especially of old warm clothes would increase with the beginning of the winter season.

Head of Treasury and Institutional Banking of Standard Chartered Bank Mamun Rashid told BSS yesterday that "With the change of government the country is awaiting momentum in the economy. If everything goes well, especially political situation, we should see increased activities in the market from the beginning of November."

The Taka remained mostly in the range of 42.2420-42.2480 per dollar last month. The local currency was mostly quoted in the range of 41.82 to 42.00 per dollar on July before the local currency was devalued by the central bank.

The dealers said in the last week of August demand for US dollar was modest and the greenback was traded between 42.2300 to 42.2400 in the local interbank market.

They said downward adjustment of Pakistani rupee kept the market players under pressure fearing further downward adjustment of Taka.

The call money rate remained steady in the range of four per cent to five per cent with comfortable liquidity in the market.

Filipino GNP grows

MANILA, Sept 1: The Philippines' gross national product (GNP) grew by 7.06 per cent in the first half of 1996, economic planning officials said Saturday, reports AFP.

Workshop on income tax procedures

The University of Asia Pacific (UAP) will hold a two half-day workshop on September 10 and 11 on the current income tax procedures.

The workshop will be conducted by experts and top grade professionals, says a press release of Investment Corporation of Bangladesh.

Japan likely to face huge rice glut

TOKYO, Sept 1: Slack consumption and poor sales of foreign grain are likely to leave Japan with a massive surplus of rice, a press report said yesterday, reports AFP.

The Japanese government will have a rice glut of three million tonnes by the end of October Kyodo news quoted government officials as saying.

The food agency planned to sell some 1.18 million tonnes of rice under the government-controlled distribution system during the harvest year ending in October, but it had sold only 390,000 tonnes by July the officials said.

Per capita rice consumption fell 1.8 per cent from a year earlier in the three months to June, they said.

Surplus rice is costing the government money because of warehouse and other charges. Japan spent a combined three trillion yen (28 billion dollars) of taxpayers' money to dispose of stockpiles in the 1970s and 1980s.

The new stockpile is also becoming larger due to the unpopularity of foreign rice, the importation of which was partially liberalised in 1995 under an agreement in the Uruguay Round of global trade talks, the officials said.

Three quarters of the 400,000 tonnes of imported rice have been left unsold, the officials said.

Japan made emergency rice imports after an exceptionally poor harvest in 1993, but consumers shunned the foreign grain preferring domestically grown rice.

Johny M Sarker, Project Coordinator of CARE-Bangladesh, inaugurated a week-long management training course for project officers of the organisation, organised by Rapport Bangladesh Limited, held at Bangladesh Institute of Administration and Management (BIAM) in the city recently. M Mosharraf Hossain, Managing Director of Rapport Bangladesh Limited, conducted the course as principal trainer.

Experts tell monetary confce in S'pore

Interest-free Islamic banking gaining popularity worldwide

SINGAPORE, Sept 1: Islamic banking is gaining popularity worldwide with the spread of Muslim fundamentalism and western banks are starting to cash in on the trend, experts told a monetary conference here yesterday, reports AFP.

"The growth of interest-free banking has gained momentum in the past decade with a number of countries edging towards fundamental Islamic values," said a joint paper written by a Singapore academic and an Iranian central banker.

Ramin Cooper Maysami, a Lecturer at the Nanyang Business School, and Hassan Golriz, Director of the Iranian Central Bank's Research Institute, said Islamic banks or financial institutions now exist in about 45 countries.

Total funds involved in Islamic banking worldwide have been estimated at 30-40 billion dollars and "it is not surprising that western banks are becoming major competitors in offering profit-loss sharing and interest-free banking," they said.

Islam's holy book, the Quran, forbids usury. In lieu of interest, Islamic banks engage in various forms of profit-and-loss sharing with borrowers, as well as joint ventures and leasing schemes.

Modern Islamic banking was pioneered by the Dubai Islamic Bank in 1975, and has now spread to such countries as Malaysia, Indonesia and Algeria as well as non-Islamic nations like Switzerland, Denmark and Luxembourg, the paper said.

"Recently, Pakistan and the Islamic Republic of Iran initiated a vast and comprehensive restructuring of their financial markets based on the principle of Islamic banking," the paper said.

"With the current resurgence of fundamental Islamic values and morals, other countries are likely to follow the lead," it added.

The report cited three prominent financial groups leading the way for the entry of Islamic banking into international financial markets: the Saudi-owned Dallah Albaraka and Al-Rajhi Groups, and Bahrain's Faysal Group.

Western banks such as Citibank International have been involved in Islamic-style practices in aircraft leasing and shipping, as well as financing of trading in oil, petrochemicals, agricultural products, tankers and capital goods, the paper said.

Six Nobel prizes to be worth $7m this year

STOCKHOLM, Sept 1: This year's six Nobel prizes will be worth a total of 44.4 million kronors (6.7 million dollar), and it will take almost that amount to determine who gets them, reports AP.

The Nobel Foundation said Friday each of this year's six prizes for intellectual achievement will bring an award of 7.4 million kronors (1.12 million dollars), up slightly from last year's 7.2 million kronors (1.09 million dollars).

The foundation also said it had provided 42.2 million kronors (6.4 million dollars) for tasks related to assessing candidates. The research sometimes involves reviewing achievements that are several decades old.

The first of this year's prizes, for physiology or medicine, will be announced in Oslo on October 7, followed by economics on October 8. The separate awards for physics and chemistry will be on October 9, and the peace prize on October 11.

Swedish Academy officials will set the date for their announcement of the Nobel Literature Prize later.

Kibria tells parliament

Administrative machinery steeped in corruption

Finance Minister Shah AMS Kibria Saturday admitted in parliament that the administrative machinery like other sectors were steeped in corruption which has plagued the entire society, reports UNB.

"There is no reason to believe that the government administration remains untouched with corruption when it has entered into every spheres of society," he said while seeking budgetary allocation of Taka 86, 42, 61, 750 for the import-export and excise duty sector.

The finance minister said corruption is also evident in the tax-collecting administration. These administrative bodies would be made more efficient and corruption-free, he added.

Kibria, however, said corruption is one of the major national problems that needs social awareness to combat. He assured that legal actions would be taken against the corrupt employees.

Earlier, moving a cut motion, BNP member Prof Shahidul Islam alleged that some officials and employees in the tax-collecting administration were involved in open corruption.

They have become the owners of houses and cars in Dhaka city and outside through corruption by evading the government, he said, adding that the government was deprived of crores of taka in taxes over the years because of these corrupt officials and employees.

The BNP lawmaker deplored that politicians were tried on charges of corruption, but corrupt officials escaped punishment.

Budget requests show 8.4pc annual rise in Japan

TOKYO, Sept 1: Japan's national budget requests for the year starting April, 1997 have shown an 8.4 per cent annual rise to a record 82.44 trillion yen (754 billion dollars), the finance ministry said yesterday, reports AFP.

Requests from government ministries and agencies for core general operating expenditures, including defence and public works, totaled 44.62 trillion yen, up 3.4 per cent from the initial budget for the current financial year to March, 1997.

The 3.4 per cent increase is the ceiling agreed by the cabinet of Prime Minister Ryutaro Hashimoto in July, and is lower than the real growth of 4.2 per cent in the year to March, 1997.

The tough ceiling was set to ease growing pressure on national finance and reform the country's outdated post-war economic structure.

The finance ministry will screen and cut requests to cover an expected gap between spending requests and government revenue.

The cabinet is expected to adopt a final budget plan in late December.

Despite the government's commitment to austerity, the total requests topped 80 trillion yen for the first time, due partly to high rises in debt-serving costs and tax grants to local governments.

Budget requests climbed 11.6 per cent to 18.27 trillion yen for interest payments and redemption of government bonds and surged 26.8 per cent to 17.25 trillion yen for tax grants.

Requests for official development assistance came to 1.17 trillion yen, up 2.6 per cent. Defence budget requests rose 2.9 per cent to 4.98 trillion yen.

Requests for national investment and loan programmes, which are not included in general operating expenditures, grew 11 per cent to 54.66 trillion yen.

Cattle-raisers end long march across France

PARIS, Sept 1: Cattle-raisers ended their long march across France at the Eiffel Tower on Friday, saying President Jacques Chirac promised relief for the mad cow crisis. But leaving empty handed, some planned further action, reports AP.

With about three-dozen cows, they trekked 300 kms (180 miles) from the tiny southwestern French town of Charrous and parked their herd at the foot of the famed monument to bring home their plight over a 30 per cent fall in prices.

Some in blue dungarees, cattlemen met at Elysee Palace with Chirac and his agriculture minister, Philippe Vasseur. The meeting with Chirac was the first time a French head of state had officially received cattle breeders in 50 years.

Chirac "told us that he will not let us down," cattle farmer Pierre Grooleau said outside the presidential palace. "For me it is already a great guarantee."

But farmers were still disappointed the government didn't immediately boost aid.

The 15-nation EU has offered help, but farmers have called the aid inadequate amid the price slide since the mad cow scare began in Britain in March.

"The price of cattle has collapsed," said farmer Bernard Hay. "For many, that's meant ruin."

Cows normally selling for 3,000 franc (600 dollars) are now fetching only 600-700 francs (120-140 dollars), farmer Olivier Petreau earlier told the daily Parisien.

The desperation drove 20 farmers in Charroux to strike out for Paris on August 11 and pick up supporters along the way. By Friday, they were 150 marching along the Seine River, supported by hundreds of cattle-raisers from across the country.

Without slogans, posters, placards or police, the protesters gathered simply on the Champs de Mars near the Eiffel Tower and staged a huge picnic while their cattle grazed.

Lloyd's of London rescue plan succeeds

LONDON, Sept 1: Lloyd's of London said Friday that it has received enough support from money-losing investors to proceed with a restructuring that will keep the 308-year-old insurance market solvent, reports AP.

"We should never forget what has happened," Lloyd's chairman David Rowland told reporters, after the market completed the crucial and controversial step towards ensuring its own future.

Lloyd's has spent many months changing the way it does business and working on the survival plan, which is intended to reverse the troubles of 1988-92, when the market was hit by losses of eight billion pounds (12.4 billion dollars).

Lloyd's investors, known as "names" were devastated by the red ink brought on by asbestos and pollution claims, as well as natural disasters. The investors were required to put their entire life savings on the line to back policies at Lloyd's.

Many refused to pay, saying they had been victimised by unscrupulous insiders at Lloyd's. Hundreds sued.

Lloyd's sought to end the mess by offering the names a 3.1 billion pound (4.8 billion dollars) package that would cut their losses in return for their agreement to end all litigation.

Lloyd's has received the acceptance of 91 per cent of the 34,000 investors and said in a statement early Friday that it would extend the deadline for the stragglers until noon on September 11.

The old Lloyd's liabilities are to be placed into a new group, Equitas, which is intended to separate Lloyd's troubled past from its more promising present. The market returned to profitability in 1993, the most recent year for which the books are settled, with earnings of 1.08 billion pounds (1.67 billion dollars).

Guerilla raids shake Mexican markets

MEXICO CITY, Sept 1: Surprise guerrilla raids across Mexico have rattled the nerves of government leaders and investors just as the country begins to recover from recession, reports UNB.

Investors grew fidgety after the news Thursday that the new Popular Revolutionary Army had attacked military posts and police stations in at least five states, leaving at least 14 people dead and 23 wounded.

The Mexican stock market was down more than 2.2 per cent when it closed Thursday. By Friday's close, it had slipped another 0.9 per cent.

While a slide on Wall Street contributed to the dip, one trader said the rebel action "has been affecting the market more than anything else."

The Treasury Department issued a rare statement Thursday night blaming most of the loss on external factors. However, it conceded the markets also had been influenced by factors "of a political type, rooted in news about certain violent episodes."

Traders also blamed the raids for a significant weakening of the peso, which closed Friday at 7.578 per dollar, compare with 7.444 on Wednesday.

The rebel actions Wednesday night and Thursday in the states of Oaxaca, Guerrero, Mexico, Puebla and Chiapas also threaten to cast a shadow over President Ernesto Zedillo's state of the union address on Sept 1.

He was expected to use the occasion to spotlight Mexico's economic gains of the past year.

After its worst economic decline since the 1930s, Mexico has shown signs of improvement. Its gross domestic product rose 7.2 per cent in the second quarter of this year. It had dropped by 10.5 per cent during the same period in 1995.

A continuation of the economic crisis could be devastating for millions of Mexicans who have lost jobs over the last 20 months and millions of others struggling on salaries that don't keep up with inflation.

"Internationally, this is not the kind of image Mexico wants to project while trying to come out of its economic difficulties," said Roderic Ai Camp, an expert on the Mexican military from Tulane University in New Orleans.

Canned bread in Japan

TOKYO, Sept 1: A Japanese baker, seeking to help survivors of the Kobe earthquake, has come up with canned bread that remains edible for more than a year, reports AFP.

The idea came to Yoshihiko Akimoto, 43, after late year's quake, when he regretted that fresh bread he donated to survivors could not keep very long.

"I guarantee that this bread is very tasty," Akimoto, owner of the Akimoto Bakery in Koroiso, 150 kilometres (90 miles) northwest of Tokyo, told AFP on Friday. "Four months of taste tests show that."

The baker has refused to release the recipe for his "Kan Kan Buredo" which he intends to license to one of the major commercial bakeries who have already been in contact.

A three-day long briefing on competitive fares & ticketing organised by district sales office, Biman Bangladesh Airlines, Dhaka for Dhaka-based travel agents was held at Biman Bhaban, Motijheel, Dhaka from August 27 to 29.

Commodity market: Gold, tin up while silver, lead down

LONDON, Sept 1: Strikes in several copper and nickel mines around the world sent a shiver of excitement through the market which was still awakening from a sleepy summer, and drove the price of these metals higher this week, reports AFP.

Some traders fear that the stoppages at copper mines in Chile and Namibia will cut into world production, which was expected to expand strongly later this year.

A walk-out at a nickel mining complex in Canada also threatens to reduce output of this key mental, used to make stainless steel.

Elsewhere on the commodities markets, crude oil prices held firmly onto their peaks, despite the gloomy forecasts of experts who believe oil prices will tumble soon.

The grains and vegetable oil markets remain very unsettled, with traders concerned about poor maize and soya crops expected in the United States, the world's number one producer of these two staples.

GOLD: Solid. The price of gold was firmly esconced above 387 dollars per ounce, even rising as high as 390 dollars at one point, in a generally calm trading environment.

Production is falling, in particular in South Africa, where many of the richest gold seams are becoming exhausted. The new exploration and extraction techniques which have done so much for the oil industry have not been as of much use with gold.

SILVER: Fall. Silver prices fell slightly this week, losing two cents to 5.18 dollars per ounce. But the market remains vibrant, particularly in the United States, where some speculators are still keen to acquire the precious metal.

PLATINUM: Weak. This metal, used mainly to make catalytic converters, is still under a cloud, with prices low at 399 dollars per ounce, because of large sales by Russia (which is disposing of strategic stocks) and the relatively weak economy in Japan, the world's main platinum importer.

COPPER: Tense. Strike action in several mines around the world has prompted fears on the London Metal Exchange (LME) of a disruption to global supplies.

Prices, as a result, have been driven higher. Three-month copper prices rose by 30 dollars to 1,965 dollars per tonne.

At the end of the week, a smaller-than-expected rise in LME stocks (up 3,600 tonnes to 275,275 tonnes) gave added impetus to the market.

LEAD: Dull. The price of lead fell by ten dollars to 807 dollars per tonne, on a market marked by a worrying accumulation of stocks in LME warehouses (up 8,250 tonnes to 111,025 tonnes).

ALUMINIUM: Timid. The price of aluminium rose modestly by 20 dollars to 1,500 dollars per tonne, encouraged by copper's gains and some industrial buying.

But market stocks of the metal are too high to allow aluminium prices to really take off, trading house GNI noted.

LME reserves grew by 200 tonnes to 932,450 tonnes.

NICKEL: Hard. A vote in favour of strike action at the Thompson mining complex in Canada owned by the giant Inco company drive up the price of this metal used to make stainless steel.

The three-month reference price gained 100 dollars to reach almost 7,500 dollars per tonne. Traders fear that the shutdown of this complex in Manitoba, which produces 45,000 tonnes of nickel a year, will affect supplies on the market.

TIN: Rise. The price of tin rose by 80 dollars to 6,240 dollars per tonne, with LME stocks up 20 tonnes at 10,725 tonnes.

According to the Economist Intelligence Unit, consumption of tin will grow strongly in the next few years, after the decline in past years as tin is increasingly used once again to make drink cans.

OIL: Burning. The brent North Sea oil market is still burning brightly. Despite gloomy forecasts by experts prices have clung to their peaks between 20 and 20.80 dollars per barrel. At the end of the week, the price of crude oil was approaching 21 dollars.

Prices are remaining firm because of healthy buying from both refineries and distributors especially in the United States which is the world's biggest consumer of crude oil.

RUBBER: Bouncy. The price of Rss latex, which comes mainly from Thailand, rose by 12.5 pounds to 880 pounds per tonne because of a rally in prices on the Tokyo futures market in an otherwise calm trading environment, London dealers said.

COCOA: Crash. The price of the tropical bean crashed back to July's low levels at around 980 pounds per tonne, down 40 dollars on the previous week.

The plunge was caused by a number of investors selling their holdings, alarmed at the latest estimates for the upcoming harvest in the Ivory Coast, the world's biggest producer.

TEA: Holiday. Tea auctions, which normally take place every Monday in London did not happen this week because of a public holiday.

SUGAR: Sticky. The price of sugar seems to be firmly stuck, still hovering around 345 dollars per tonne, on a calm but fundamentally strong market.

German research body FO Licht predicts that the 1996 European sugar beet crop will total only 27.83 million tonnes, from 28.57 million last year, because of bad weather conditions.

VEGETABLE OILS: Unsettled. The market remains dominated by fears of a poor soya crop in the United States.

On the Rotterdam market, soya prices held steady at around 94 guilders per 100 kilograms. Traders remain worried about the lack of rainfall on US plantations and about the delay in harvesting.

The price of palm oil was driven higher by Indian and Pakistani buying on the Kuala Lumpur market, which is the world's major exchange for this commodity, rising by 15 dollars to 550 dollars per tonne.

Sunflower oil prices remained at 580 dollars per tonne, while rape seed lost 1.5 guilders to 93.5 per 100 kilograms.

China to build gas-fired power plant in Guangdong

BEIJING, Sept 1: China is to build a giant gas-fired power plant and gas storage centre in Guangdong, after banning new coal-fired plants in the province because of "serious environmental problems," Xinhua reported yesterday, says AFP.

The huge 8,200 megawatt plant will attempt to solve the energy problems of a province that by 2000 is expected to need some four billion cubic metres (140 billion cubic feet) of gas rising to six billion cubic metres by 2010.

Likely candidates for the contract, or part of the contract, include Gec Alsthom, a British-French consortium, ABB Brown Boveri Ltd, a Swiss-German group, the US Company Gec, and the German Company Siemens KWV, sources said.