

## Dhaka to receive Tk 200 cr aid from Norway, FAO

Bangladesh will receive about Taka 201 crore from Norway and the Food and Agriculture Organisation (FAO) for various social sector and agriculture projects, reports UNB.

Bangladesh will receive Norwegian Kroner 300 million equivalent to Taka 192 crore, as grant from Norway for the years 1997 and 1998 for the development of various social sectors in Bangladesh.

An agreed minutes to this effect was signed here yesterday following the conclusion of Annual Consultations on Bangladesh-Norway Development Cooperation.

The five-day consultations held in Dhaka concluded earlier yesterday with general evaluation of the existing Dhaka-Oslo bilateral economic cooperation. Besides, review of the ongoing as well as pipeline projects under Norwegian assistance was taken up during the discussion.

Apart from the day's agreement, Bangladesh will also receive a considerable amount of

grants during the two-year period outside the country frame. ERD Joint Secretary AB Chowdhury and NORAD Head of the Asia and Latin American Ms Gerd Wahlstrom signed the agreed minutes on behalf of their respective governments.

Norway has been supporting projects in some vital sectors like rural development, education, healthcare, communication, rural electrification, environment and women development since the independence of Bangladesh.

### FAO aid

Bangladesh will receive 2.15 million US dollar, equivalent to Tk 90 million from the Food and Agriculture Organisation (FAO) for improving the availability of quality vegetable seeds in Bangladesh.

The amount will be provided by the governments of Belgium and Denmark under the FAO Trust Fund Programme.

The project in Bangladesh, titled 'Strengthening of National Vegetable Seed Programme Through Increased Participation of Private Sec-

tor' will be implemented by FAO in cooperation with BADC and BARI.

An agreement was signed in Dhaka yesterday morning covering the three-year project with total involvement of 2,553,984 US dollars.

The agreement was signed by ERD Joint Secretary Gule Afroz Mahubub for Bangladesh government and FAO Representative in Dhaka Hiroyuki Konuma for the UN organisation. Belgian Charge d'Affaires in Dhaka B. Labrique was present on the occasion.

Officials said both the government and the FAO have placed high priority on improving nutritional quality of food as a part of food security for healthy living of the people.

In Bangladesh, the food lacks the nutritional aspects and cereals constitute the main diet. It is possible to improve the health and nutritional status of the population considerably by increasing production of vegetables through quality seeds.

As vegetable seed production

is a highly technical subject, the government is cooperating with the Rome-based FAO and the governments of Belgium and Denmark had initiated activities in 1986 under the project 'Strengthening of the National Vegetable Seed Programme'.

The project involved the private seed entrepreneurs in improving quality of seed through organised seed production in 1993, when the New Seed Policy to promote private seed industry was declared.

With effects of last three years, the private sector is producing and distributing 100 tons of quality seed. As requirement of vegetable seed is 3,000 tons per year, the new phase of the project is intended for expanding the production to reach 800 tons — 25 per cent of the country's vegetable seed requirement.

It is expected that by the end of the project, there will be increased participation of the private sector in production and distribution of quality seed.

## Three-member tea team leaves for Europe to explore market

A three-member tea delegation leaves Dhaka today (Monday) on a 11-day visit to European countries to explore tea market, reports UNB.

Led by Bangladesh Tea Board Chairman Moqbul Haider, the team will have discussions with leading tea brokers, officials of the International Tea Council, Duncan, Vanress and Brook Tea.

The other members of the delegation are representative of Bangladesh Tea Traders Association Rezaul Karim and Senior Vice Chairman of Bangladesh Cha Sangsad MA Rahman.

At present Bangladesh export 29 million kilograms of tea annually, mostly to Poland.

The other major countries who import tea from Bangladesh are UK, Japan, Germany, the Netherlands, Sudan, Russia, Jordan, Pakistan and Iran.

## DPRK envoy meets Shipping Minister

The Ambassador of the Democratic People's Republic of Korea (DPRK) to Bangladesh, Dr Kim Ki Duk, called on Shipping Minister ASM Abdur Rob at his office here yesterday, reports BSS.

During the meeting prospect of DPRK's investment in shipping sector of Bangladesh were discussed. They also discussed various matters of mutual interest.

The Shipping Minister urged the DPRK government to recruit skilled sailors from Bangladesh.

They laid emphasis on strengthening economic cooperation between the peoples and governments of the two countries, the handout said.

## Thai textile exporters urged to turn to ASEAN markets

BANGKOK, Oct 13: Thailand's garment manufacturers association is urging Thai textile exporters to turn to ASEAN markets for the next five years due to low duties in the region, reports Xinhua.

The call came following a slowdown in the country's textile and garment exports and amid global economic growth during the first six months of this year.

Chavalit Nimla-or, the association's president, said ASEAN has huge potentials due to increased purchasing power, Singapore and the Philippines have the potential to buy Thai goods.

He added that the free trade areas of ASEAN (the Association of South-East Asian Nations) provide low duties to member countries and Thai goods can gain access to ASEAN markets without import duties in the next five or 10 years.

The association and the government Export Promotion Department have drawn up three measures to help exporters make the most of ASEAN markets.

The measures include identifying problems faced by exporters, particularly by small and medium-sized enterprises, inviting special ASEAN trade missions to Thai garments, and providing incentives to exporters who produce high-quality and high-end products.

## From bulls to bears—Part I

By Tanya Gupta

The recent decision of the Dhaka Stock Exchange (DSE) to disallow any bids for securities in a day in excess of +10 or -10 per cent compared to the previous day's price will have a detrimental effect on the financial market and related areas. It sends a message to foreign investors that in spite of all the media hype and claims to the contrary, Bangladesh is not really serious about attracting foreign investment.

If the lock-in measure had driven away a majority of the foreign investors, by this action the DSE will drive away the remainder (as well as many domestic investors). One predicts that the index will now fall, and continue to fall. Generally speaking, any restrictions that negatively affect trading tend to make the general level of share prices fall.

However in this case, not only will the selling be inspired by the negative signal that the Securities and Exchange Commission (SEC)/DSE is sending them, but also by the fear factor of the new investors.

There have been repeated warnings to investors that the market is over-reacting and that the securities are being over-valued by the market. Their recent action of restricting share price movement will drive this message home. This may succeed in scaring the investors of most of the new investors as well as some of the regulars are predicted to start selling. This might even lead to the index falling to new low levels.

Circuit breaker is regarded with suspicion by most investors. However this is not to say that this is a bad idea or even that Bangladesh is the only country to impose it. However, what is being done currently is not really a circuit breaker as much as it is a rigid share price control.

In most countries, circuit breaker is tied to indexes and not to a particular stock. An index is the average price of a fixed number of stocks. An example of a leading stock index is the American Dow Jones Industrial Average, commonly referred to as the Dow. If we ignore adjustments that are made when stock splits take place or when new firms are added or dropped, then we can define the Dow Jones Industrial Average as the total sum of the share prices of 30 top companies divided by 30. So it is the average price of 30 top stock prices.

An example of circuit breaker tied to indexes is as follows: Country A may stop trading completely if the index falls

by 40 per cent. What the Bangladesh SEC is doing is that it is stopping trading if any one security moves above or below its pre-set price levels, rather than using the general level of prices as a guide.

If we look at the United States, 'Black Monday' on October 19, 1987 saw a drastic fall in the Dow Jones Industrial Average. Many small investors lost their life's savings and even major financial houses were brought to their knees. The market lost a little over 20 per cent of its value and almost 500 billion dollars of investors money.

The crash also led analysts to re-think the 'Efficient Market Theory' that basically predicts that investors act rationally and that stock prices reflect whatever relevant information that people have. This was because there was no major new information that came out in the market that day.

Many analysts feel that what was operating then was the herd theory. Investors felt that the falling prices signaled a crash, panicked and tried to get out. Subsequently a survey by Yale University also indicated that the 'herd instinct' was the key to bringing down the market.

How is this relevant to us? Well, if the herd instinct can bring about a market crash in a country with a relatively more developed information base and more informed investors, it can do far worse in a country like Bangladesh.

A negative message sent by SEC/DSE is likely to bring about panic selling which can lead to a crash. Even though the 'circuit breaker' was put in, in the first place to avoid 'herd instinct buying' and consequently a fall in the market, its action may ultimately lead to the very thing they were trying to avoid. Other ways of reducing price volatility should have been considered. Investor information and education should also have been focused on. Even if a circuit breaker was to be installed it should not have been in their current stringent form.

If we look again at what happened after Black Monday we can get some pointers on how to better cope with volatile markets. The Brady Commission was then formed to look into the events preceding the crash and recommend ways to prevent another Black Monday from happening.

The Brady Commission gave five major suggestions. One was to have a unified clearing system across different markets.

Another was that a single agency should coordinate issues that affect several financial markets. It was also thought that there should be consistent margin requirements across markets. There should also be a concerted effort to gather and disseminate information across markets.

The major suggestion of the Brady Commission that the circuit breaker be put in place to halt trading when market conditions warrant such action was implemented. Transactions in the New York market are done on computers through a system called Super Dot that enables members to send orders directly to specialists who trade in one or more firms. Super Dot is specially helpful to programme traders because it enables programme traders (who trade in an entire basket of stocks) to transact instantaneously.

Currently the Super Dot system is shut down when the Dow Jones Industrial Average moves up or down by 50 points in one day. If the Dow falls by 250 points from the previous day's close, all markets close for an hour. If it drops by 400 points, trading halts for two hours.

Circuit breaker was installed after the Brady Commission report because it was felt that during periods of excessive price movements the 'herd mentality' sets in and a trader may start to sell or buy because he or she feels that there is a good economic reason for the price movement.

If there is a halt in trading this gives enough time for correcting any information asymmetry. The trader can then survey the market and make a decision as to whether there is any good reason for him or her to assume that the upswing is caused by positive economic events or that the downswing is due to negative economic events.

The circuit breaker gives them more time to think and a chance to decide whether the price movements are justified or not. However, even in the United States there is a quarter that feels that the circuit breaker in its present form is detrimental to the market. They cite the migration of some of the programme traders to other non-US exchanges as an example.

The writer is a Lecturer of the Department of Business Administration of North South University and Coordinator of the Department of Career Services.

## Matia visits Jamuna fertiliser factory

JAMALPUR, Oct 13: Agriculture Minister Matia Chowdhury paid a surprise visit to Jamuna Urea Fertiliser Factory yesterday, reports BSS.

During the visit, she enquired of the production, storage and distribution system of the factory.

She asked the officials and employees of the factory to ensure smooth supply of fertiliser in the country's northern districts during the coming boro season.

Additional Secretary of Agriculture Ministry Saiful Islam was present during the visit.

## 26th session of IJO body on projects Tuesday

The 26th session of the IJO's Committee on Projects (COP) will be held at Sonargaon Hotel on Tuesday, says a press release.

Bimal Pande, Jute Commissioner, Ministry of Textiles, India, the current Chairman of the COP, is expected to preside over the session.

The committee will review the progress of the IJO projects under implementation and consider the new proposals submitted by the IJO Secretariat.

Representatives from five IJO exporting member countries and twenty two importing member countries (including EC) are expected to attend the session.

IJO's five exporting member countries are: Bangladesh, China, India, Nepal and Thailand and the twenty two importing member countries are: Austria, Belgium, Denmark, Austria, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, United Kingdom, Egypt, Indonesia, Japan, Norway, Pakistan, Switzerland and the European Community (EC).

The session will also be attended by the representatives of observers from the non-IJO member countries, international, intergovernmental and non-governmental organisation/association of the member countries.

## Coca-Cola opens 18th bottling plant in China

The Coca-Cola Company opened its 18th bottling plant in China, northern province of Heilongjiang recently, says a press release.

The 22 million US dollars plant is a joint venture between local Chinese partners and Kerry Beverages — a joint venture between the Kerry Group, one of Asia's leading business conglomerates, and the Coca-Cola Company, the world's largest beverage company.

In 1995, more than 187 million unit cases of Coca-Cola products were sold in China, up 37 per cent from the previous year. "But this is just the beginning," said Douglas Daft, senior vice president of the Coca-Cola Company and president of its Middle & Far East Group. "With a current annual per capita consumption of just five eight-ounce servings of our products in China, we're just starting to realize the enormous potential that a market of 1.2 billion people can offer."

Coca-Cola will have 23 bottling plants in China by 1997 serving 80 per cent of the population and bringing total investment in Coca-Cola operations to 500 million US dollar.

## India set to overtake Japan as 2nd largest exporter to Dubai

ABU DHABI, Oct 13: India plans to stage its biggest overseas fair in the United Arab Emirates, encouraged by the success of previous shows which catapulted it to third place after China and Japan among exporters to the UAE, says AFP.

More than 200 Indian companies will exhibit a wide range of manufactured products at the December 7-11 fair in the post city of Dubai, the main transshipment centre in the Middle East, newspapers reported yesterday.

It will be India's biggest overseas exhibition and follows two successful shows in the UAE, one of the region's leading consumer markets.

Ranbir Singh, Director of the Indian Trade Centre in Dubai, said the exhibition was prompted by the success of a 1994 show which attracted more than 80,000 visitors and included deals worth 56 million dollars.

India has become one of the main commercial partners of

the UAE and is set to overtake Japan as the second largest exporter to Dubai.

"From the pattern of trade between India and Dubai over the past few years, you can expect it to oust Japan from second place in the list of exporters to Dubai," said an official at the Dubai Chamber of Commerce and Industry.

Japan is still recovering from the blow of its ouster by China as the top exporter to Dubai after it held the first place for more than a decade.

Traders said Japan's retreat and the advances by China and India over the past four years meant a weakening in demand for Japanese products in the entire Gulf since a large part of Dubai's import is re-exported.

Dubai's imports stood at around 50 billion dirhams (13.6 billion dollars) in 1995, of which nearly one third were re-exported to neighbouring Iran, Kuwait, Saudi Arabia, Oman, Pakistan, Singapore and Hong Kong.

India, seeking to boost ex-

ports with sweeping economic reforms, moved from seventh place five years ago to become the third biggest exporter to Dubai in 1995, the same year that China emerged as the top supplier of the Emirate.

In the first quarter of 1996, India's trade with Dubai peaked at 1.8 billion dirhams (490 million dollars) compared with around three billion dirhams (817 million dollars) for the whole of 1995.

The figure accounted for nearly 8.73 per cent of Dubai's total trade, according to the chamber.

A delegation from the India trade promotion organisation visited Dubai on Thursday to prepare for the December exhibition, which will include foodstuffs, electronics, machinery, chemicals and home appliances.

The subcontinent is the oldest commercial partner of the Emirates. Gulf states traded pearls with Indian merchants for spices and other products before oil was struck.

## Commodity market: Prices of oil up, tea down over the week

LONDON, Oct 13: The ghost of Sumitomo has returned to haunt the London Metal Exchange (LME) and whispers of price manipulation have once again run through its corridors, as a mysterious fall in copper stocks lifted prices this week, reports AFP.

Tongues were set wagging at the annual dinner of market players, which has become known as the "mating season" of traders on the London market.

As dealers tucked into their sumptuous banquet, they uttered the name Sumitomo in connection with an "artificial" tightening of copper supplies. The Japanese trading giant had everything to gain from a rise in prices, they said.

Sumitomo rocked the LME in June, when it announced that it had amassed losses of at least 1.8 billion dollars over a ten-year period.

Despite the latest rumours, LME Chief Raj Bagri has done his best to expose the ghost of Sumitomo. He told diners at the annual shindig that the LME was ready to introduce wide-ranging reforms aimed at improving market transparency. Oil prices reached a new high since January 1991 midweek, before falling back again to-

wards the end of the week.

**Gold:** Dull. Gold prices hovered around 380 dollars per ounce for most of the week, but a sudden flurry of speculative buying of silver on Thursday and Friday lifted gold prices to 382 dollars per ounce.

**Silver:** Sparkling. A slump in silver reserves held in warehouses belonging to the New York futures market, Comex, sparked a surge of speculative purchases which gave silver a fresh sparkle this week.

Silver prices rose above the five-dollar mark to 5.05 dollars, about 15 cents higher than at the end of last week.

**Platinum:** Mirror. Platinum prices followed the rise in silver and rose by about five dollars to 388 dollars per ounce.

**Copper:** Takeoff. A hefty fall in copper reserves held in London Metal Exchange (LME) warehouses, which fell by 27,075 tonnes to 202,500 tonnes, warmed the copper market.

**Zinc:** Lift. Zinc prices rose by 15 dollars to 1,035 dollars per tonne, as huge consignments of the metal which some dealers had expected would come on to the market failed to materialise.

Instead, LME stocks fell by 425 tonnes to 549,750 tonnes.

**Aluminium:** Calm. The aluminium market regained some calm this week after a recent slide in prices. Three-month aluminium prices fell by just 20 dollars to 1,330 dollars per tonne.

Some dealers said that the market had fallen too sharply and was set to rise at least a little after the announcement of a fall of 8,825 tonnes in LME reserves to a total of 961,450 tonnes.

**Tin:** Rise. Tin prices rose by about 25 dollars to 6,065 dollars per tonne on the wings of a fall in LME reserves of 215 tonnes to 9,975 tonnes.

**Oil:** Peak. Low reserves of crude in consumer countries, notably in the United States, continued to lift oil prices this week. Brent North Sea oil prices rose to a peak of 24.70 dollars per barrel, before slipping back to about 23.70.

The market expected a surge in demand for oil in consumer countries as winter drew near in the northern hemisphere.

The onset of cold weather there was expected to boost demand for heating oil in particular.

**Rubber:** Slide. The price of RSS rubber, which comes mainly from Thailand, fell by 15 pounds to 837.5 pounds per tonne as rubber producers sought to reduce their stock levels.

Dealers at the London-based trading house Lewis and Peat, feared that strike action at Canadian factories belonging to the US car manufacturer General Motors might depress prices further. The trading house explained that the industrial disputes might eat into production levels of North American tyre manufacturers.

**Coffee:** Reviving. Robusta prices in London rose slightly as imports of coffee from Central America were late to arrive on the market. Prices rose by 25 dollars to 1,475 dollars per tonne.

The market also reacted to a temporary fall in exports from Brazil and dealers did not rule out further price rises.

**Tea:** Tumble. Tea prices fell by three pence to 106 pence per kilo in the London auction houses, as dealers turned their noses up at medium quality teas on the market.

**Sugar:** Crystallised. Sugar prices held firm at around 320 dollars per tonne on the London market.

GNI trading house said rainfall had delayed the sugar beet harvest in Eastern Europe. This might hit output if frosts set in and damage the crop. GNI said.

**Vegetable oils:** Bubbling. Huge imports into China, which has imported about one million tonnes of soy beans and meal from the United States in recent weeks, warmed soy oil prices this week.

The market was also lifted by rumours on the Chicago market that Brazil was on the verge of placing large-scale orders for American soy beans and prices rose by 0.5 guildler to 92 guildlers per hundred kilos.

Palm oil prices fell by 15 dollars to 550 dollars per tonne, as the Kuala Lumpur market suffered from the cancellation of a big order from Pakistan.

Groundnut oil held firm at 880 dollars per tonne. Sunflower oil fell by 20 dollars to 550 dollars per tonne and rapeseed oil rose by 0.5 guildler to 97 guildlers per hundred kilos.

**Grains:** Split. Grain prices rose slightly on the Chicago market ahead of publication of US Agriculture department estimates of the forthcoming harvest in the United States. Wheat prices on the Chicago Board of Trade (CBOT) rose by 4 cents to 4.42 dollars per bushel (27.216 kilos each, for delivery in December). Maize prices fell by two cents to 2.90 dollars per bushel.

## 'World's biggest polypropylene plant set up in India'

BOMBAY, Oct 13: India's largest private firm Reliance Industries Ltd said Friday it had completed construction of the world's biggest polypropylene plant in western Gujarat, reports AFP.

Officials of the textiles and petrochemicals giant said the unit was commissioned at its petrochemical complex near the town of Surat.

"It has the capacity to produce 350,000 tonnes per year of various homopolymer, random copolymer and impact copolymer grades of polypropylene," a company statement said.

Reliance said the fully-computerised factory set to start production, would employ a highly efficient polymerisation process from Union Carbide to produce a complete range of polymer grades required by the plastic industry.

"With the commissioning of this plant, Reliance has become a global player in polypropylene and one of the largest producers of this product in this part of the world," it said.

## WB President in India on week-long tour

BOMBAY, Oct 13: World Bank President James Wolfensohn started a week-long tour of India in Bombay today by visiting one of Asia's worst slums to see how the bank's money was being used to improve living standards, reports Reuters.

India, with around 15 billion dollars a year in World Bank loans, and is the largest recipient of the bank's money.

Finance Minister P Chidambaram met Wolfensohn in Washington earlier this month and called for the bank to double its lending to India to help the country overcome chronic infrastructure problems.

Wolfensohn will discuss capital market developments and infrastructure financing with industry leaders, and meet central bank governor Chakravarty Ranganam and Maharashtra state Chief Minister Manohar Joshi on Monday.