

Dhaka, Yangon agree to expand bilateral trade

YANGON, Oct 29: Bangladesh and Myanmar today laid stress on increased bilateral cooperation between them in the expansion of bilateral trade and joint venture industrial undertakings to their mutual benefits, reports BSS.

The issue on the bilateral cooperation came up at a meeting between the visiting Bangladesh Minister for Commerce and Industry, Tofael Ahmed and his Myanmar counterpart Lt. Gen. Tun Kywe when the former called on the latter here this morning.

Tofael Ahmed said both the countries have ample opportunities to expand trade and investment for mutual development, which should be explored for mutual benefit.

Ahmed said the country's trade policy has been liberalized and tariff structure is being reformed in order to increase the volume of trade.

Recalling to Myanmar's recognition to Bangladesh on January 13, 1972, the minister said, the two countries have 176 miles common border and have traditional commercial and cultural ties. He said, although there is a border trade agreement between the two countries since May 18, 1994, but it is not functioning due to absence of mutual initiatives and discussion. He stressed the need for frequent visits of business delegation to find out the sectors of common interest.

Earlier, Tofael Ahmed and Myanmar Minister for Finance

and Revenue Brigadier General Win Tin inaugurated a representative office of National Bank Ltd at Bahan Township of the capital city.

Later, the commerce and industry minister met Myanmar Deputy Prime Minister and Chairman of Myanmar Investment Commission Vice Admiral Maung Maung Khin and discussed wide range of bilateral matters of mutual interest including possibilities of investment and joint venture projects between the two countries.

The Bangladesh minister said the present government wants to maintain a very friendly and warm relationship with all the neighbouring countries including Myanmar

as well as increasing mutual trade.

He also mentioned the prospect of joint venture projects like fruits processing plant and cement industry.

Reciprocating the sentiment, the Myanmar commerce minister said, "Our door is always open for discussion and we are eager to establish better relationship with the neighbouring countries through solving all problems and expanding trade with brotherly spirit".

Lt General Tun Kyi said, the Myanmar government is taking steps to improve the road communication between Yangon and the Myanmar check point to Bangladesh, Mongduw, the Rakhine state of Myanmar, to facilitate mutual trade.

Dhaka to get Tk 64.80 cr Dutch grant

Bangladesh will receive Tk 64.80 crore as grant from the Netherlands for financing a water supply, sanitation and drainage project in country's 18 district towns, reports UNB.

An agreement to this effect was signed between the two countries here yesterday.

The project — 18 District Towns Water Supply, Sanitation and Drainage Phase III — will be implemented by the Department of Public Health Engineering of the Local Government Division. It is scheduled to be completed by December 31, 1998.

The 18 districts are: Panchagarh, Thakurgaon, Joypurhat, Lalmonirhat, Nilphamari, Naogaon, Manikganj, Bhola, Jhalakathi, Barguna, Shariatpur, Magura, Narail, Moulvibazar, Meherpur, Netrokona, Sherpur and Satkhira.

Stan Chart economist tells The Daily Star

Bangladesh still suffers from low per capita income

By Inam Ahmed



Gill James

Although Bangladesh's country rating has climbed up in recent times, it still suffers because of the low level of per capita income and the lack of depth of the market, observes Gill James, Economist for Middle East and South Asia of the London based Standard Chartered Bank.

She said without quantifying that the country rating of Bangladesh has gone up quite a way since the long political stand-off ended, but she pointed out that the low level of income still acts as a damper on ratings.

Gill was talking to The Daily Star during her recent visit here.

According to Euromoney, a leading financial journal, Bangladesh comes below India, Pakistan and Sri Lanka. "I think that we would score it more favourably in the region," she added.

The country's dependency on aid and its vulnerability to climatic factors also affect its ratings, she pointed out. However, she added that the support that Bangladesh enjoys from the donors' community gives investors some comfort.

Gill observes that the improvement of the economy should not be a one-off affair, and the aim should be a sustainable growth of seven to eight per cent over the next five years.

"A vehicle for that desired level of growth should be a faster export performance," she said.

Along with this, the fiscal deficit should be kept under control because if the situation

gets out of control it would pose a problem for the private sector she observed. For example, large fiscal deficit led to liquidity problem in the banking system in India which led to crowding out effect for the private sector.

"But I do not think Bangladesh has got this problem although there is scope for improvement because a situation like this would as well lead to inflation."

Since the inflation index in Bangladesh is heavily food dependent, the agriculture sector should be carefully managed to keep the inflation down. Along with building up a sufficient stock of food, agriculture reforms should be carried out for a sound economic management, Gill feels.

"So far, the new government's agriculture policies are encouraging for the economy," she added.

Regarding the low savings and investment scenario, she said attracting foreign direct investment (FDI) is one of boosting investment for which political stability is a must. The kind of public support that the new government enjoys gives a very positive message to investors regarding the political situation," she maintained.

About the country's foreign exchange reserve, she said it is something to be monitored closely although the situation is still comfortable. "The fall in reserve is a matter of concern, but it does not indicate a crisis," she affirmed. She said countries like Pakistan are in a far worse situation regarding foreign exchange reserve.

"It is a prudent policy that the government has approached for credit from IMF," she viewed. "Further, the good news is that import is now slowing down while export, is increasing which will ease pressure on the foreign exchange reserve."

Asked whether the Taka should be further devalued following the downward adjustment of the Pakistani rupee, she said Pakistani rupee constitutes only about three per cent of the Real Effective Exchange Rate (REER) basket adding that this should not make any significant impact on Taka.

But she foresees that the dollar will gain strength next year as the US interest rate will go up along with other positive developments in the US economy which will make Taka weaker against dollar.

"This will mean further, but gradual devaluation of Taka," she observed.

Kibria: FICCI

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nities not incorporated in Bangladesh is 45 per cent against 40 per cent for local companies which, he said, is discriminatory as the government's avowed policy is to attract more foreign direct investment.

Unless this discrimination is removed, he said, the existing non-resident foreign companies would lose interest in continuing their business operations in the country, sending a wrong signal to the prospective foreign investors.

Referring to the requisite limit, he said the present limit of Tk 72,000 per year on requisite is "woefully inadequate". The limit should be raised to Tk 100,000 in view of the inflation and salary increases over the years, he added.

On tariff anomalies, the FICCI president pointed out such anomalies in the duty structures in cast iron electrodes, industrial and commercial importation of milk powder, aluminium foils for pharmaceuticals and food industries, and CKD and CBU imports of washing machine and refrigerators.

"There are many other cases of similar irrationality which should be looked into and resolved... There must be a significant difference of tariff between industrial and commercial imports," he said.

Mentioning under-invoicing in import of oils and fats, Jamil said some member companies have been placed in a disadvantageous position due to severe under-invoicing by some unscrupulous imports of fats and oils.

He also called for reducing substantially the existing import duty rates for crude degummed soyabean oil (CDSO) and crude palm oil (CPO) and withdrawing licence fees for these items.

The FICCI president suggested duty exemption on imports of undergrade live crabs, withdrawal of the existing duty on self-generated electricity and recognising tea industry as export oriented industry.

On disposal of foreign shares held by the government, he said the government should offer first the respective companies, particularly the foreign private limited companies, while off-loading those shares.

Jamil also urged the government to withdraw the requirement of separate registrations for each manufacturing units of a single entity for VAT (value added tax) related purposes.

The finance minister told the meeting that he would look into the issues for their early solution. He also suggested the FICCI members to sit with the National Board of Revenue to resolve the tax related issues.



S A M S Kibria, Minister for Finance, speaking at the monthly luncheon meeting of the Foreign Investors' Chamber of Commerce & Industry held at the Sonargaon Pan Pacific Hotel in the city yesterday. On his left are President of the chamber, Mahubul Jamil and Chamber Secretary Jahangir Bin Alam. On his right is the Vice-President of the chamber Jean Pierre Raynaud.

Govt examining viability of power purchase from India

The government is examining the possibilities, modalities and viability of purchasing power from India, reports BSS.

Stating this at a meeting of annual Performance Target Agreements (PTA) of Palli Biddhut Samity yesterday, Power, Energy, and Mineral Resources Minister Lt Gen (ret'd) Mohammad Nuruddin Khan also said the possible rate of power purchase is also being examined.

The minister also told the meeting held at the Russian Cultural Centre in the city that the government had taken an extensive programme to meet the present shortage of electricity on long and short term basis, Moulvibazar, Additional Secretary of the ministry, Brig

Mohammad Enamul Huq, chairman of Rural Electrification Board (REB) M A Samad, member, REB and Mukbul Ahmed, president of Chandpur Palli Biddhut Samity also spoke on the occasion.

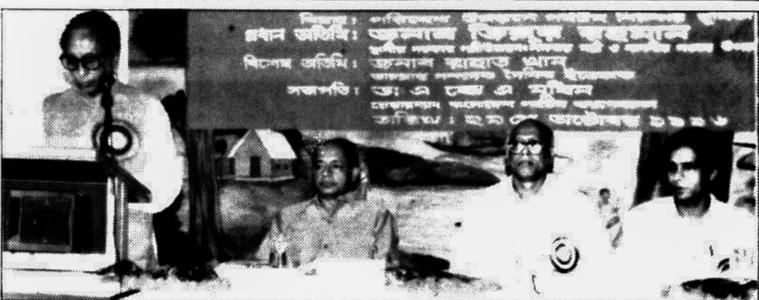
The minister gave a brief account of the steps taken by the present government to overcome power generation crisis and said the government is trying to procure two large-mounted power generation stations of 240 megawatt capacity as early as possible.

The minister stressed the need for stopping all kinds of pilferage including those of wire and distribution transformers and meter tampering.

He identified the system loss

including the stealing of electricity as the major in the power sector and asked the officials to reduce it from 35 per cent to 29 per cent. He said the system loss in Pakistan is 24 per cent while that in India is less than 20 per cent.

Mukbul Ahmed, president of Chandpur Palli Biddhut Samity urged the minister to provide required electricity to irrigation projects especially during the harvesting season to increase production. He feared that the next harvesting season would be affected for want of sufficient electricity. He requested the minister to pay attention to the next harvesting season, so that agricultural production is not affected.



A seminar on 'role of tourism industry in the development of environment' was held at a local hotel yesterday in observance of Tourism Month '96. Local Government, Rural Development and Co-operatives Minister Md Zillur Rahman seen speaking on the occasion as chief guest. Rahat Khan, Acting Editor of the Daily Ittefaq, Dr A K A Mubin, Chairman of Bangladesh Parjatan Corporation and M A Mubin Khan, Chairman of seminar committee, Lions Club of Dhaka Presidency, are also seen in the picture.

Standard Ceramic share lottery held

The share distribution lottery of Standard Ceramic Industries Ltd was held yesterday at Mohana Community Centre.

A total of 2,578 applications for 50 share lots were selected from 144,306 valid applications, say a press release of the company.

The company management expects to fulfil its post lottery obligations in due course, it added.

Standard Ceramic Industries Ltd is a public limited company with an authorised capital of Tk 100 million and paid-up capital of 56.6 million.

The factory is situated at Saydana, Gazipur with an annual production capacity of 15 million assorted pieces of vitrified stoneware.

ADB VP due tomorrow

Vice President of Asian Development Bank (ADB) Hong-Suh Lee will arrive here on Thursday for a four-day visit to Bangladesh, reports UNB.

During the visit, Lee will meet with the Finance Minister, Communications Minister and Energy Minister as well as top government officials, an official source said today.

The ADB Vice President will visit the Jamuna Multi-purpose Bridge site on November 1.

Projection meet of HR Textile Mills held

A projection meeting of HR Textile Mills, a public limited company which recently floated shares for public subscription, was held at a hotel here yesterday, reports BSS.

Secretary of the Banking Division of the Finance Ministry Shah Abdul Hannan attended the meeting as the chief guest. Managing Director of the company Abdul Moyeed gave a brief profile of the company.

Managing Director of Credit Rating Agency Limited Mozaffar Ahmed and company directors Dr Mohammad Abdul Moyeed and Mohammad Abdul Momen also spoke.

HR Textile Mills has floated shares for public subscription with a paid up capital of Taka 20 crore of Taka 100 at par.

The managing director of the company in the projection meeting said of the paid up capital, 50 per cent amounting to Taka 10 crore was subscribed by the sponsors.



Sheikh Ahmed bin Saeed Al-Maktoum and Hamdi Osman signed a lease on behalf of Dubai Civil Aviation and Federal Express respectively on September 21.

Islami Bank launches Savings scheme

Islami Bank Bangladesh Limited has formally launched its Mudaraba Savings Bond Scheme to encourage savings by offering a safe and profitable investment, reports UNB.

Addressing the launching ceremony as chief guest at a city hotel yesterday, Finance Minister Shah AMS Kibria said lack of savings was one of the fundamental problems of the country's economy.

The Finance Ministry, he said, has decided to take necessary steps to promote and mobilise domestic savings in order to accelerate economic development.

"In the present circumstances, there is no possibility

of any raise in the amount of official assistance at this moment. So, we have to shift our attention to private foreign investment and domestic savings."

The Finance Minister advised the Islami Bank authorities to remain alert about the bond-owners' safety. "I'll give directive to Bangladesh Bank to take additional care in this regard," he said.

"We've to come out from the vicious circle and enter into the virtuous circle," he said adding that the first step in this efforts is to increase savings and the second is to utilise it in the productive and constructive sectors.

FedEx, Dubai Aviation sign lease

Federal Express (FedEx) and Dubai Civil Aviation signed the lease for FedEx's new facility based in Dubai Cargo Village, at a ceremony on September 21, says a press release.

The lease was signed on behalf of Dubai Civil Aviation by Sheikh Ahmed bin Saeed Al-Maktoum and on behalf of FedEx by Hamdi Osman, Managing Director for the Middle East and Indian Subcontinent. They were accompanied by Director General of Dubai Department of Civil Aviation, Mohi-Din Binhendhi and the department's Finance Director, M K Nair.

FedEx's new facility will comprise an area of 192,000 square feet — the largest site at the Cargo Village and will become operational 1997.

The development of FedEx's Dubai facilities is in-line with the company's commitment to developing Dubai into the hub for the Middle East region and one of its strategic global hubs.

New DMD of Purabi Insurance

APM Hasan Dastagir has been appointed as the Deputy Managing Director of the Purabi Insurance Company, according to a press release.

Dastagir started his career in the insurance business with the Adamjee Insurance Company 33 years ago.

Black Monday and the Tokyo exception

By Tanya Gupta

As the stock market continues to be bullish, many investors are waiting with bated breath for the market to crash. After the circuit breakers were reinstated, the index dropped and it seemed that a bearish market was imminent but it turned out to be a false alarm. Even as we speak the index continues to rise and crash fears grow. What is it that helps countries avoid crashes? Surprisingly one of the answers is culture. Culture plays a role in all aspects of human life. Stock markets are no exception. Culture was largely responsible for Japan escaping the stock market crash of 1987. Let us see why.

On the 19th of October, 1987, the stock markets around the world experienced one of the worst financial shocks. The only other crash in history to take place on this scale was the crash on Tuesday October 28, 1929. In the United Kingdom, the bull market has persisted for twelve years. From January 1987 to October 1987 the index had increased in value by 79 per cent a new high. In the United States, the index had increased in value by about 33 per cent.

The world index had increased in value by 40 from January 1987 to October 1987.

All of this came to an end on Black Monday. In UK, the index fell by one-third in three days. In USA the index also fell by one-third wiping out one trillion dollars. All over Europe, markets suffered. In Hong Kong, the index fell by over 50 per cent. The stock exchange actually closed on this day. The only major financial centre that escaped the crash relatively unscathed was the Tokyo Stock Exchange.

Japan actively uses circuit breakers. However unlike the Dhaka Stock Exchange, the circuit breakers are tied to the index. If the index falls by more than 15 per cent in any one trading day, the exchange closes limit down. "Limit Down" signifies that the lower end of the band was reached. If the market closed when the index went up by more than 15 per cent it would be said to close "limit up". Closing of the exchange means that there is no liquidity at all on the exchange. However it is meant to give panicked investors time to react rationally. This may have been one of the reasons behind Tokyo's escaping the crash.

Another reason may have been the proprietorial role of omnipotent Ministry of Finance. Cultural differences may

also have acted as catalysts. Japanese culture discourages an individualistic approach to life. In the private sector, group behavior takes the form of networks or keiretsu. There is a long Japanese tradition of group responsibility. For several centuries, Japanese society was organised into groups consisting of five persons or households. The group was held responsible for the action of individual members such as the non-repayment of a loan. The chief of each group was responsible to a higher authority. In terms of the population's relationship with the government, the notion that the government is responsible for maintaining social order is a powerful historical legacy.

Even today, the Japanese tend to blame the government for everything that goes wrong. In such an environment, it was not difficult for the Ministry of Finance to induce the major Japanese stockholders to stabilise the market. The major brokers were also induced to make massive purchases from their own account.

The brokers had the financial resources to make the purchases because of the interdependence of the major financial houses. However there were ad-

ditional reasons behind their abetting. Export surpluses built up over the years were a cushion that could be counted on. Also the high savings rate (the highest in the world) meant that a large percentage of the nation's savings were channeled through the banking system to the brokers.

The Ministry of Finance gave a public statement that they stepped in because they considered the stock market as serving the interest of the country's economy. The Japanese collectivist approach was largely responsible for its safe passage through the period of the crash. Some foreign investors made the mistake of pulling out of their Japanese investments, an action which they later regretted as the Japanese market recovered much more quickly than the other market.

"Specialists" given the same role of "making markets" in the United States failed to maintain the trust that they were given. They were expected to buy from their own account to stabilise the market, however, a large number succumbed to the selling pressure.

Analysis after the market collapse revealed that many specialists had decided not to

sacrifice their capital in an attempt to keep up the prices. While specialists as a whole were net buyers of stock a large percentage (about 3 per cent) were net sellers. They had failed in their responsibility to maintain an orderly market. The individualistic nature of the Americans that has provided them with so many advantages, in this case proved to be a disadvantage.

Markets in all other parts of the world suffered and even after the crash stagnated for a while. The response to the crash was quick and well coordinated. It was recognised that the banking system needed liquidity since the market was now very illiquid. Liquidity was provided through the lowering of interest rates (through expansionary fiscal and monetary policy). After the crash there were attempts to find out why the crash had taken place and what could be done to lessen the chances of a crash in the future. We will look at some of the reasons behind the crash next time.

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

Govt of the People's Republic of Bangladesh

Office of the Executive Engineer
PWD E/M Division-VIII, Mirpur, Dhaka

Notice Inviting Tender

No. পাঃ-১/২৬/৯৬/৯৭২

- Sealed tenders are hereby invited in Bangladesh Form No. 2911 from the undermentioned work from PWD enlisted Special class/1st class/2nd class E/M contractors/firms who have got ABC/BC contractor & supervisory licence issued from Bangladesh Electric Licensing Board and have got VAT registration certificate. Tenders will be received in the tender box kept in this Division & the Executive Engineer, E/M Division-1/2/3/4/5/6/7 Workshop Division, Wood Workshop Division & PWD Eden Building Division, Dhaka on 10-11-96 up to 12-00 Noon and the tenders will be opened on the same day at 12-30 PM in presence of the tenderers/their representatives who may like to remain present.
- Tender form schedule, terms and conditions etc. can be seen & purchased by the tenderers or their authorised representatives up to 9-11-96 from the office of this Division & the Executive Engineer, PWD E/M Division-1/2/3/4/5/6/7 Workshop Division & PWD Eden Building Division Dhaka on payment of Tk. 425/- only in cash (non-refundable) on production of registration book and other necessary documents.
- Earnest money 2% (two per cent) of the total quoted amount in the shape of BD/PO of any scheduled Bank of Bangladesh in favour of the Executive Engineer, PWD E/M Division-VIII, Mirpur, Dhaka shall have to be furnished alongwith each tender. Otherwise the tender will be outrightly rejected.
- The undersigned reserves the right to accept any tender or reject all the tenders without assigning any reason therefor.

Sl. No.	Name of items	Estimated cost	Earnest money	Time allowed
১	ঢাকার জোয়ার সাহায্য নিশ্চিতকরণ কাজ।	টাকা ১০,৯০,৭০৭/৭৬	টাকা ৭৮৭৫/-	৩০ (ত্রিশ) দিন

১. প্রকল্পটির কার্যক্রমের বিবরণী পান।
২. প্রকল্পটির কার্যক্রমের বিবরণী পান।
৩. প্রকল্পটির কার্যক্রমের বিবরণী পান।

Executive Engineer
PWD E/M Division-VIII
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