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The Daily Star

BUSINESS

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DHAKA TUESDAY, JANUARY 21, 1997

Tofael invites Chinese team to invest in bigger way

Commerce and Industries Minister Tofael Ahmed yesterday requested Chinese entrepreneurs to come to Bangladesh in a bigger way and become development partners of the country in its present thrust on speedy industrialisation, reports UNB.

He was addressing a meeting between a visiting business delegation from the Chinese province of Hainan and the Federation of Bangladesh Chambers of Commerce and Industries (FBCCI).

The industries minister suggested that entrepreneurs of Bangladesh and Hainan province have much more common sectors to invest in, like cement and other natural gas-based industries.

He said Bangladesh and Hainan also have some similarities in climate and crop pat-

tern. "We can share our knowledge and experience to infuse modern technological knowhow."

Explaining government policy in trade and industries, the minister said, "We've given tremendous importance to foreign investment with attractive package of incentives."

Referring to the visits of Prime Minister Sheikh Hasina and himself to China, Tofael said they had fruitful discussions with the Chinese government and businessmen.

Terming China a very good friend and old development partner of Bangladesh, Tofael hoped that it would continue to play its role in participating in Bangladesh's development activities.

Addressing the meeting, Governor of Hainan province

Ruan Chongwu said their visit aimed at further developing and strengthening mutual understanding and economic cooperation between the two countries.

Chongwu, who attended the meeting as guest of honour, hoped that the meeting would be able to find out common ground for further cooperation to promote economic ties between Bangladesh and Hainan province.

The Governor focused on his province's efforts and success in developing its agriculture and industries, particularly on the Hainan Special Economic Zone, which is the largest one in the country but different from other economic zones.

He said major industries of the province are construction and building material, paper,

chemical fertilizer and motorcycle-producing plant which is the country's biggest bike-manufacturing factory.

Hainan, situated at the south tip of China, is considered a poor and backward region with poor transportation system. Its population is more 7 million and size a little bigger than Taiwan, the governor said.

The meeting, held at the Federation Building, was also addressed by State Minister for Foreign Affairs Abul Hasan Chowdhury, Chinese Ambassador in Bangladesh Zhang Xujing and FBCCI president Yusuf Abdullah Harun.

The 11-member Chinese business delegation from Hainan province comprises entrepreneurs from agriculture, industry, trade, commerce and tourism sectors.

Steps taken to legalise Bangladeshi workers in Malaysia: JS told

The government has taken steps to legalise the Bangladeshi workers living in Malaysia illegally. Foreign Minister Abdus Samad Azad told Parliament yesterday, reports UNB.

Replying to a starred question from Kazi Shah Mofazzal Hossain Kalkobad, he said the State Minister for Foreign Affairs during his recent Malaysia trip discussed the issue with authorities in Kuala Lumpur.

"During my visit to New Delhi last November, I myself took up the issue with the visiting Malaysian Prime Minister and discussed it in detail," he informed the House.

Besides, the minister said, country's embassy in Kuala Lumpur is continuing efforts to get the Bangladeshi workers legalised keeping contacts with different levels of the Malay-

sian government.

As a result, it is hoped that the Malaysian government would take the issue with a sympathetic attitude towards the expulsion of the Bangladeshi workers from that country, he said.

25,710 workers return from UAE

Another report: A total of 25,710 Bangladeshis who were working in the United Arab Emirates returned home recently. Parliament was told yesterday.

Foreign Minister Abdus Samad Azad replied to a question from Nurul Islam Jhild that the government through its embassy and consulate in UAE provided every help to the nationals in returning to the country.



Commerce and Industries Minister Tofael Ahmed addressing a meeting with the visiting Chinese trade delegation at the FBCCI auditorium in the city yesterday. — PID photo

Microsoft conducts six-day training

Microsoft Corporation conducted a six-day training on Windows NT Server 4.0 at a city hotel recently, says a press release yesterday.

The training was organized jointly by Microsoft Corporation India (Pvt) Ltd and Microsoft authorized distributor in Bangladesh M/S Desktop Computer Connection Ltd.

Microsoft's certified trainer Hari conducted the training, which included topics ranging from basics of client server technology to advanced topics like migrating from Novell Netware and UNIX.

HK investment in Philippines rise sevenfold in '96

MANILA, Jan 20: Equity investments in the Philippines from Hong Kong climbed more than sevenfold in 1996 to 7.3 billion pesos (280 million dollars) from 983.1 million pesos (38 million dollars) the previous year, an official said Monday, reports AP.

The rise, attributed to investor nervousness over China's impending takeover of the British colony in July 1997, made Hong Kong the biggest foreign source of equity investments in the Philippines, knocking the United States of the No 1 spot.

A Board of Investments spokeswoman said on condition of anonymity that the Philippines considers Hong Kong a "special target" in attracting investment, with the strong investment trend expected to continue over 1997.

BIBM course on 'Islamic Banking' concludes

A 12-day course on "Islamic Banking" was concluded here yesterday, says a press release.

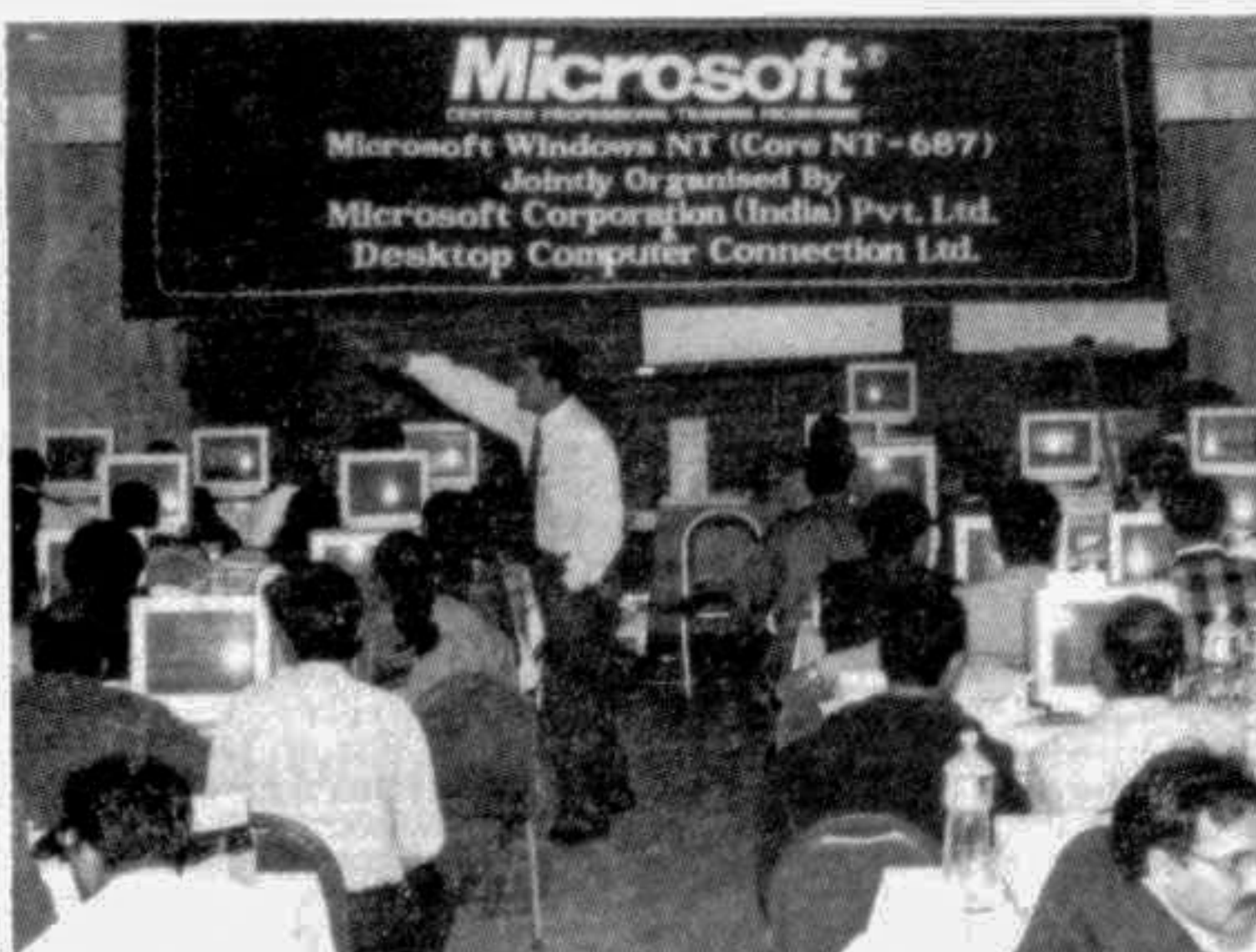
Bangladesh Institute of Bank Management (BIBM) conducted this course with a view to familiarising the participants with the principles of Islamic banking and also for improving their knowledge and skills in Islamic Banking for better performance.

Participants were drawn from different banks and financial institutions.

Iraq, Jordan to increase trade in '97

BAGHDAD, Jan 20: Iraq and Jordan have agreed to increase trade by 35 million dollars to reach 255 million dollars for 1997, Iraqi newspapers reported yesterday, says Reuters.

The papers said Iraq would pay 50 million dollars to Jordan for debts accumulated from previous trade accords. The amount would be paid by Iraqi oil exports to Jordan.



Microsoft Corporation conducted a six-day training on Windows NT Server 4.0 at a city hotel recently.

Aussie expert for political will to mechanise Bangladesh agriculture

By Govinda Shit

An Australian economist has put emphasis on "political will" for mechanisation of Bangladesh's agriculture for the welfare of the large farming community and to bring a breakthrough in labour and farm productivity.

"Political leaders are not well aware of the impact of mechanisation of agriculture, and so they sometimes spoke against it," said MA Taslim, professor of economics of Rutgers University of Australia.

The promises of High Yield Varieties (HYVs) of crops are unfilled and it failed to raise income of the rural farmers, Taslim told the seminar yesterday on "Demographic Pressure, Technological Innovation: The Case of HYV," organised by the Bureau of Economic Research of the Department of Economics, Dhaka University.

He said opinions prevail against automation of farming on the ground that use of machines might cause unemployment. "But this not true," he said adding that the only way out of the present low level of productivity is to adopt mech-

anisation. Giving evidences from his research, he said, HYV crops helped halting starvation, but failed to bring any revolutionary rise in the income of the farmers.

The economist also noted that during the 30-year period from 1960, agricultural productivity declined by 0.69 per cent and labour productivity by 1.40 per cent.

Taslim, citing example from US and Australian agriculture experiences said, evidences showed that automation increased farm income, raised farmers' consumption, and created new jobs.

He said it was the demographic pressure led to the introduction of HYVs to feed the rising population. But, land constraint and huge supply of labour force, in fact, caused agricultural and labour productivity to decline.

The seminar was presided over by Nasrin Khundker and attended and addressed by, among others, teachers of the Dhaka University.



Abdul Maleque Miah, Deputy Commissioner of Jessore, inaugurated the Minhaz Electronics sales and display centre at Jessore recently.

Fertilizer distribution in Sherpur, Mymensingh Stock adequate, price high

By Reaz Ahmad, back from Sherpur

Despite a comfortable stock and supply position of fertiliser, farmers in Sherpur and Mymensingh areas are paying high prices for the soil-nutrient.

An oligopolistic situation is forcing farmers to succumb to whatever prices the dealers are demanding.

In this period of the year, a vast area of arable lands in these two districts were seen prepared by farmers for sowing seeds of various rabi crops. In many areas, seeds of boro paddy and wheat were seen to have already been planted. Farmers have started procuring urea fertiliser for land preparation and rapid growth of the sown seeds.

During a two-day visit, The Daily Star correspondent came across a cross-section of people including peasants, fertiliser dealers, and thana level government officials who have direct links with the total process of agricultural production and supply, management and distribution of urea fertiliser. This correspondent had also talks with Begum Motia Chowdhury, Food and Agriculture Minister, who was also on a visit to her constituency during the time.

At Shambuganj Bazar in Mymensingh, piles of bags full of urea fertiliser from Zia Fertiliser Company Ltd, was found stocked inside a dealer's shop. Besides, some more bags were also seen being transported in by rickshaws and rickshaw-vans.

As per the general rule of the business, fertilisers of Zia, the factory that situated at Ashuganj in Brahmanbaria, are not supposed to be for sale in the market of Shambuganj, because the area comes under the supply-area of Jamuna Fertiliser Company Ltd, situated at Tarakandi in Jamalpur.

On enquiry, proprietor

Shahjahan Mia said that he purchased a lot of 160 bags, 50 kg urea each, of Zia Fertiliser from Roni Trading in Netrokona. He said per bag costs him Taka 228 though the millgate price is Taka 186 per bag.

During a surprise visit to Shambuganj Bazar, Food Minister expressed her dissatisfaction and asked an official, accompanying her, to check the matter with the district administration.

Md Abdul Mannan, a fertiliser dealer, told The Daily Star that they were offering peasants per bag urea at Taka 240 but, some buyers alleged that they had to count Taka 250 to 260 for a bag and the price fluctuated every now and then.

Though fertiliser selling centres are supposed to be scatteredly set up for easy availability, some centres were seen opened in a row in Shambuganj, and also at some places in Nakla and Nalitabari thanas in Sherpur.

When approached, Begum Motia Chowdhury told this correspondent that concentration of selling centres gave birth of gross irregularities and her ministry was looking into the matter seriously.

This correspondent saw that it happens in some cases that in the process of dealership, sub-dealership and opening up of too many retailers shops in a cluster caused unnecessary price hike.

It is learnt that over the last two months fertiliser dealership of four traders were cancelled in Sherpur on charge of various fraudulent practices.

Thana Nirbahi Officer (TNO) of Nalitabari, Abdul Matin Khan told The Daily Star that he himself inspected a number of fertiliser selling centres in

the thana Friday and found that some sellers demand Taka 227 to Taka 230 per bag from buyers though they claimed the price as Taka 224.

Haradhor Gop, TNO, Nakla, told this correspondent that the local administration were making constant efforts to keep the urea price below Taka 230 per bag. "If you include Taka 20 as carrying cost and Taka four more as miscellaneous cost with millgate price of Taka 186 per bag, still one can profit Taka 20 per bag if he sells at Taka 230," explained Gop. A peasant leader observed that more strict measures are required to check illegal transportation of fertiliser, meant for one area, to other area.

When here attention was drawn to the present supply and stock position, Motia Chowdhury said "we are aware about the coming peak season and that's why fertilisers are being supplied to dealers in a slow-to-gradually speedy manner so that peasants do not experience repetition of the hard-time that they went through last year."

Talking to farmers, this correspondent learnt that they require urea to boro cultivation in three-stages between the time from land preparation to harvesting. The period between mid-February and mid-March is expected to be the peak time of need for urea, according to them.

While visiting Rupnarayan Kura, a union in Nalitabari, adjacent to Haluaghat of the neighbouring Mymensingh district, a vast agro-land was found to be just prepared for sowing while at some other areas in the union both Bangalees and Garo women were seen sowing seeds of boro. Some also learnt to be experimenting cultivation of 'Broas', a hybridising rice variety innovated through genetic cross-breeding of Aus and Boro.

The banking sector of Bangladesh specially Nationalised Commercial Banks (NCBs) and Private Commercial Banks (PCBs) remains underdeveloped, uncompetitive and to some extent oligopolistic. It is suffering from debt defaults, undercapitalization, low profitability and an inadequate legal framework.

Despite repeated attempts of reforms, the quality of financial intermediation remains low. The sector is dominated by the NCBs. Real interest rates (on lending) remain high despite low inflation. However, the structure of lending rates reflect a complex set of political and economic choices supporting particular development objectives. The NCBs suffer from poor quality of loan requiring extensive provisioning. The bad debts of State Owned Enterprises (SOEs) are also partly responsible for this.

The major barrier to banking sector development is the Government's ownership of the dominant financial institu-

tions and its past interventions in credit allocation. The Government also continues to introduce distortions in the interest rates structure by grossly mispricing some of its instruments and by offering tax breaks on interest. The Government also makes arbitrary remissions of interest and principal for sick industries. Thus the commitment to eliminating directed credit is yet to be attended.

Bangladesh still suffers from low domestic savings and investment. While the saving rate has increased in recent years, the level (7 per cent of GDP) is still very low in comparison with India, Sri Lanka and Pakistan. In a framework of rigid interest rates the variation in the inflation rate results in real interest moving up and down quite sharply. This is disturbing for the investors and acts as countercyclical, because when inflation increases the real interest rate falls and investment demand increases. Bangladesh's continuing

stagnation in investment and economic growth is related to the situation in its banking sector. At present the banking sector's contribution to the GDP is only 2 per cent. However, it has the potentiality to contribute much more to economic and industrial growth by better mobilisation of resources and improving resource allocation.

The biggest problem of the banking sector of Bangladesh is debt default. The high debt default rate among PCBs has occurred due to insider lending and among NCBs, due to high risk loans to priority sectors, new entrepreneurs, SOEs, sick industries and borrowers with political influence. In addition these NCBs are compelled to endure loan forgiveness programmes by the government. Lending risk is not analyzed properly before extending loan and lending practices are not based on sound lending principles. Thus both NCBs and PCBs are burdened with huge classified loans (32 per cent in the NCBs & 41 per cent in the PCBs)

against which they have to make huge provisions resulting in decline in profitability. Classified loans as on June 30, 1996 were 33 per cent of total loans in banking sector, while it was 34.90 per cent as on December 31, 1993.

Before 1990 banks were accruing interest virtually on all loans and advances regardless of the extent of recovery. Provisioning against unrecovered loans was considered unsatisfactory. A week legal framework for recovery coupled with widespread directed loan by NCBs and PCBs has resulted in a large chunk of the banking sector's loan portfolio being in default. The rules governing loan classification and provisions have been implemented successfully which forced banks to recognize bad debt costs because much of these provisions have been taken into the balance sheet.

Thousands of bank cases (reported 40,000) against the loan defaulters are pending with the Court (only one court

Artha Rin Adalat was set up to handle the financial cases, under the usual legal set up) due to inadequate legal framework and lack of proper focus. Prolonged delay in legal process and problem in exercising decrees are mainly responsible for slow recovery of non performing loan. Despite the existence of Loan Recovery Act, loans can not be recovered since the banks have to take recourse of the civil court for execution of decrees. There is also no recovery officer under the present set up.

Capital Adequacy

On the basis of the parameter provided by the Banking Company Act 1991 each bank was supposed to maintain at least 6 per cent of its Time and Demand liabilities as its capital in the past. Unfortunately, most of the banks could not maintain this. Only eight banks could maintain required capital as on December 31, 1994 and those were mostly foreign banks. The central bank has intro-

duced a new Risk Assets based capital adequacy system with effect from July 1, 1996. Under the new system, banks are required to maintain 8 per cent of their risk-weighted assets as capital. All NCBs would find the standard easier to meet (due to their lending to the government) in comparison with the foreign banks and PCBs. At present the NCBs and most private banks are not in compliance with the new system. The capital position of the NCBs continues to deteriorate with increase in provision requirement. Thus the objective of requiring capital adequacy has not yet been achieved and can not be achieved until injection of fresh funds by the sponsors or owners are made.

(To be continued)

The writer is the head of Treasury and Institutional Banking, Standard Chartered Bank. The article is the excerpt of a paper read out in a seminar at London on the occasion of 25 years of independence of Bangladesh.

Coming AGMs					
Company	Book Closure	AGM/EGM	Date	Venue & Time	Dividend Proposed
Chittagong Cement	01/03/97-20/03/97	AGM	20/03/97	Hotel Agrabad Ctg 10 am	18.2 20
Tripoli Ind	16/07-30/07/97	AGM			18.2 (Pre & Tk 1000)
BD Zapper (Del)	15/01/97-31/01/97	AGM			18.1 (Pre & Tk 125)
Orion Infrakon	27/01/97-03/02/97	AGM	03/02/97	Hotel Sonargang, 10 am	
BOC Ltd	05/01/97-02/02/97	AGM	02/02/97	Sonargang Hotel 2 pm	18.2 (net par) 17
Rahim Textile	16/01/97-30/01/97	EGM	30/01/97	Sahaj Community Centre 11am	18.5 30

Shipping Intelligence

Chittagong port									
Berth position and performance of vessels as on 20.1.97									
Berth No.	Name of vessels	Cargo	L port call	Local agent	Date of arrival				
J/3	Kanak Naree (48)	GI	Sing	Everett	15/1	20/1			
J/4	Fu Ping	GI	Sing	Progr	7/1	23/1			
J/5	Guardian Angel	Salt(TCB)	Ind	CCNL	31/12	21/1			
J/6	Globe Trader	GH(C. Peas)	Sing	Seacom	12/1	30/1			
J/7	Fujishan Maru	Wheat	Sing	AASS	10/1	25/1			
J/8	Anodad Naree	Wheat (P)	P.Land	Seacoast	25/12	23/1			
J/9	Soya	GH(D. Peas)	Wala	Rainbow	14/1	22/1			
J/10	Mirna	GI	Sing	UMTL	14/1	25/1			
J/11	Feng Ge	Ureal(G)	Chin	BDShip	30/12	20/1			
J/12	Padma	Cont	Sing	RSL	16/1	22/1			
J/13	Da Fu	Cont	Sing	Apil(B)	14/1	20/1			
CCT/1	M.Regina	Cont	Sing	Phil(BD)	17/1	22/1			
CCT/2	Freesia	Cont	Col	BDShip	R/A	21/1			
CCT/3	Fong Shin	Cont	Sing	BDShip	16/1	20/1			
RM/4	Hong Gu Cheng	Fert	Fang	BDShip	5/1	20/1			
OCJ	Jon Jin	C. Clink			2/1	20/1			
RM/3	Margaletha	Tallow	Col	JF	11/1	20/1			
RM/5	Mekhanik								
	Ichenko	HSD	Sing	MSRL	15/1	20/1			
	Entalina	HSD	Sing	MSRL	16/1	21/1			
DOJ	Banglar Jyoti	C. Oil		BSC	R/A	21/1			
DOJ/1	Tanary Star	Idle	Para	PSAL	7/6	31/1			
RM/8	Banglar Mamata	Idle		BSC	R/A	23/1			
RM/9	Banglar Moni	Repair	Mong	BSC	15/1	24/1			
CUFLJ	Blue North (atich	Cement	Qing	PSAL	3/6	31/1			
(10/7)									

Vessels due at outer anchorage					
Name of vessels	Date of arrival	Last Port	Local agent	Cargo	Loading port
Mecca-1	21/1	Jedd	BSC	Passengers	-
Rising Tide	20/1	Viza	OTL	GI(Logs)	-
Mare Asia-1	20/1	Sing	AHZ	Scraping	-
Gao Cai	20/1		Simni	Scraping	-
Star Craft	20/1	Sing	BBA	Vehi(1 Pkg)	-
Al Swamuz	20/1	Sing	ASLL	GI	-
Al Muztab (48)	20/1	Bomb.	Clia	GI	-
Duchess	20/1	Lans	Starpath	Cement	-
Mazym Khikmet	21/1		Ahz	Scraping	-
Susak 11/1	21/1	Col	Baridhi	Cont	Col
Chin Shwe Haw	21/1	Yang	MTA	GI(Logs)	-
Meng Yang 11/1	22/1	Sing	AML	Cont	Sing
Lady Rebecca	22/1	S.Hai	Progr	GI	-
Banglar Robi 12/1	22/1	Sing	BSC	Cont	Sing
Aleksandr Tsyrura	22/1		AMBL	Ballast	-
Yong Tong	23/1	Ores	Litmond	Urea	-
Stamford 14/1	23/1	Sing	RSL	Cont	Sing
Meng Kiat 16/1	23/1	Sing	BDShip	Cont	-
Kota Blitang 14/1	24/1	Sing	PSI	Cont	Sing
Sea Pioneer	25/1		Phil(BD)	Cont	Sing
Emerald Venture	25/1		Simni	Scraping	-

Tanker due			
Al Badiyah	24/1	Kuwa	ECSL
			HSD

Berth position and performance of vessels as on 20.1.97				
Berth No	Name of vessels	Cargo	Local agent	Date of arrival
MCF	Flx Star	Clinker	Rkint	12/1/97
Jetty				
A-2	Al Salma	Exp	Atlas	25/12/96
A-3+M-1	Et Ocea-7+Barge	Tug+G.C	Sichau	16/01+16/01/97
M-3	Canan Arichin	Cement	Ustc	15/1/97
M-4	Chectah	Wheat	S.Sinc	14/1/97
M-5	Sugar	Cement	Tania	3/1/97
M-6	Ada	Mop	OWSL	10/12/96
M-7	Filiasi	Exp	OWSL	12/1/97
M-8	Banglar Asha	Wheat	BSC	10/1/97
A-7	Astra Sky	Cement	Makh	6/1/97
A-8	Daxian	Ferti	Makh	5/1/97
A-9	Mathos	Cement	Viking	7/1/97
A-10	Naviraexpress	Ferto	BSS	2/1/97
A-13	Forum Power	Cement	USTC	3/1/96
A-14	Thetisk	Cement	H&H	17/1/97
A-17	Motovon	Ferti	Pioneer	18/12/96
A-17 (A)	Safar	Ferti	Atlas	19/1/97
A-18	Gullin Yang	Clinker	R.Bow	16/1/97
A-19	Huating	Ferti	L.Mond	19/1/97
A-20	Alexandra	Exp	OWSL	20/10/96