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DHAKA SATURDAY, JUNE 13, 1998

Praises, criticism, support and frustration mark business response to budget

Star Business Report

The business community, in general, has hailed the budget proposals as industrialisation-friendly. And major chambers were also happy to see many of their recommendations reflected in the proposed budget.

They particularly welcomed the duty cuts and rationalisation of tax structure, which they said would help local industries and special incentives for such sectors as garments, computer, agro-processing, leather and plastic. Support to sick industries and jute sector was also praised.

In most cases, the initial responses from individual trade associations took a positive note when incentives came for their businesses but others, who did not see their demands realised, failed to find good points in the finance minister's plans.

DCCI President Rashed Maksud Khan appreciated the reduction of corporate tax in the proposed budget which he said would help revive the capital market.

He termed it a good trend and said that "measures proposed for capital market promotion are appreciable."

The DCCI president, however, felt extension of Value Added Tax (VAT) network will lead price increases that might cause "temporary problems" to the consumers.

He also appreciated the measures for simplifying the tax system and said it would reduce harassment of the tax payers.

Metropolitan Chamber congratulated the finance minister for targeting a high growth.

Garments geared up

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) President Mostafa Golam Qudus welcomed the budget proposals, especially continuation of 25 per cent cash incentives for the export-oriented garments industries for another year.

"If the cash incentives were withdrawn after one year the garments industry would become vulnerable to foreign competition," Qudus said in a statement.

"To ensure smooth functioning of the sector, the facilities should be allowed to continue till the year 2005," the BGMEA president said.

He also hailed the proposal for withdrawal of 2.5 per cent duty on synthetic fibres, reduction of duty on dyeing and printing materials from 15 per cent to 7.5 per cent and pigment, a raw material used in textiles, leather and paint industry to 15 per cent from 30 per cent.

He, however, expressed "frustration" over the non-withdrawal of 25 per cent tax at source.

'Administrative efficiency needed'

Bangladesh Chamber of Industries (BCI) also praised the proposed national budget saying it would have a positive impact on the economic development of the country.

"It is very tough for any developing country's finance minister

to satisfy all groups with the budget he places," Sharif M Afzal Hossain, President of the BCI, said in a statement.

He called for increasing administrative efficiency to minimise misappropriation from the development budget.

Sharif also welcomed the reduction from five income tax slabs to four, increase in personal income limit from Tk one lakh to Tk 1.50 lakh and giving chance to legalise black money through investment in new industries and in other forms of business.

'Thank you, Mr Finance Minister'

The Inter-Association Parishad for Rehabilitation of Sick Industries yesterday hailed the government's budget proposal saying it recognised the fact that "industrial sickness is a reality in capitalist economies world over."

The owners of 'sick' industries also thanked the finance minister for the Tk 60 crore allocation for their rehabilitation, "although much more was required."

They also thanked the government for the 50 per cent compensation proposal to meet the liquidity crisis which will arise of the proposed interest waiver to sick businesses.

Congratulations from DSE

The Dhaka Stock Exchange (DSE) Council hailed the proposed incentives to boost the country's capital market.

In a statement, the DSE congratulated the finance minister for proposed tax incentives for both the secondary and the primary market. "We welcome the budget proposal for the year 1998-99 as it would help rapid industrialisation."

"The DSE hopes the proposed budget would accelerate national economy and strengthen the private sector and encourage local and foreign investment in the country," the statement added.

Jute spinners call it balanced

Bangladesh Jute Spinners Association (BJSJA) has termed the new budget proposals "realistic and balanced."

The BJSJA appreciation was attributed to government pledge to continue economic reform programme, give importance to education, health, agriculture and poverty alleviation efforts. It made a special mention of Tk 130 crore allocation to support jute industry.

It also appreciated the proposal for giving special emphasis on private sector growth including development of the capital market. "The incentives provided for primary and secondary capital market would help improve the country's ailing stock market," it said in a statement.

The association, however, said that the consumers, specially poorer segments of the society, might suffer due to bringing melamine, C I sheet and pathological services under the VAT network.

Industry-friendly, says rubber

President of Bangladesh Rubber Industries Association (BRIA)

Shafiqur Rahman called it an "industrialisation-friendly" budget. "The proposed budget will help growth of industry in the country."

He, however, criticised the increased allocation for defence and police. "Our country cannot afford to spend so much for defence. The money could have been allocated in other sectors for boosting exports," he said.

Old car dealers mourn

Abdul Haque, President of Bangladesh Reconditioned Vehicles Importers and Dealers Association (BRVIDA), said that the proposed budget would discourage the middle class which had been buying cars for many years now.

Reducing the depreciation of old cars from 60 per cent to 40 per cent would mean at least 33 per cent extra duty on car imports from countries like Japan, the source of re-conditioned cars, he said.

"Cars have gone beyond the reach of the middle class," Haque lamented. "This will not solve the problem in our country having a massive transport problem," he said.

Haque said the government should have acted on a healthy transport policy before announcing the proposed increases. "They have waived taxes from double decker buses but they have not touched the Railways which are heavily taxed," he said.

Flour millers see nothing

President of Bangladesh Major and Compact Flour Mills Association (BMCFMA) MA Hannan said he did not see much in the budget proposal for accelerating the economy. "Not something very remarkable."

He, however, appreciated the government move for "highest allocation" for education.

No complaints from Madaripur

The Madaripur Chamber appreciated the new budget proposal for giving highest allocation to education and increased funding for defence.

"Increasing allocation to defence sector was the reflection of government's commitment to safeguarding the country's sovereignty," it said in a statement yesterday.

Madaripur Chamber also hailed the budget proposals for increasing allowances for freedom fighters, provision for old-age allowance, commitment towards employment generation and efforts for poverty alleviation.

Appreciating the steps for rehabilitation of sick industries, the chamber said that duty reduction on raw materials would help flourish industries in the country.

Calling the new budget proposals "welfare oriented", the Chamber urged the finance minister for not seeking to impose any new tax or duty.

Happy note from Rajshahi

RAJSHAHI, Jun 12: Chamber leaders and leading busi-

nessmen of Rajshahi today hailed the proposed national budget for the fiscal 1998-99 announced in the Jatiya Sangsad by Finance Minister Shah AMS Kibria yesterday, reports BSS.

They congratulated Prime Minister Sheikh Hasina and Finance Minister Shah Kibria for the proposed national budget and termed it "a people-oriented and development one." The budget will fulfil the hopes and aspirations of the people and the country will march towards the path of development," they added.

They also congratulated the finance minister for imposing customs duty on imported items like furniture, news print and toiletries and said it would help protect the interest of locally produced such goods despite the open market economy.

Those who issued statements on the national budget included President, Rajshahi Chamber of Commerce and Industry Mohammad Ali Sarker, Abu Naser Khan Chowdhury Rubel, Vice-President, Rajshahi Chamber of Commerce and Industry, Ismat Reza Khan Mumu, Secretary, Brick Manufacture Owners Association, Rajshahi, and Salahuddin Raju, Executive Committee Member, Rajshahi Chamber of Commerce and Industry.

Anti-smoking campaigners rejoice

Students Anti-Smoking Committee (SASC) have welcomed tax increase on cigarette paper in the budget proposed for the fiscal 1998-99, reports BSS.

In a press release here yesterday the SASC leaders expressed the hope that this tax increase would help discourage smoking in the country.

The SASC activists last night conducted a survey among students rickshaw-pullers and service-holders in the city and came to know that this tax increase on cigarette paper had helped them giving up smoking instantly.

SASC, which has long been active in anti-smoking drive in the country, also congratulated State Minister for Planning, Science and Technology Dr. Mahiuddin Khan Alamgir and Chief Editor and Managing Director of Bangladesh Sangbad Sangstha (BSS) Anisuzzaman to join SASC as its advisers.

It's all sweet for sugar merchants

Bangladesh Wholesale Sugar Merchants Association (BWSMA) welcomed the proposed national budget for 1998-99 fiscal, reports BSS.

In a statement signed by BWSMA President Hajeer Dost Mohammad and General Secretary Shamsul Huq Badal yesterday described the budget as realistic, time-befitting and people-oriented. "This is a favourable budget for all including the business community."

BWSMA thanked Prime Minister Sheikh Hasina and Finance Minister Shah A M S Kibria for giving the budget with a nominal increase of duties.

US-Japan talks on insurance end without agreement

TOKYO, Jun 12: Talks between Japan and the United States on opening Japanese insurance markets to foreign competitors ended Friday without bridging the differences between the two sides, the Finance Ministry said, reports AP.

Washington and Tokyo disagree over whether Japan is living up to commitments to deregulate its life and non-life insurance sectors under a 1996 pact.

Under the deal, the United States had sought faster deregulation of those sectors, but to delay liberalisation of medical and accident sectors because foreign companies already have a strong presence there.

PAL pilots' strike enters 2nd week

MANILA, June 12: A strike by about 600 Philippine Airlines (PAL) pilots entered its second week Friday as government officials prepared to rule on whether the financially troubled company can require pilots to retire early, says AP.

The pilots' union went on strike last week to protest a new management policy of ordering pilots to retire who have reached 20 years of service or flown 20,000 hours, regardless of age. The policy puts 225 pilots in danger of forced retirement, said Capt. Sotico Lloren, president of the union.

PAL, however, said it was not a unilateral management policy but a provision in a collective bargaining agreement signed by airline and union officials.

PAL flight attendants and ground crew threatened Thursday to join the strike by the 620-strong Airline Pilots Association of the Philippines if the company institutes layoffs to cut costs.

On Wednesday, the airline announced it will no longer accept back the striking pilots and will sharply scale back its operations.

Autorickshaws, reconditioned cars to be expensive

Star Business Report

Autorickshaws and old (reconditioned) cars are going to be more expensive from next fiscal to discourage their use on environmental grounds.

The government proposed to raise supplementary duty on three wheelers (autorickshaws) to 50 per cent from 25 per cent and reduce maximum depreciation on assessment of old cars to 40 per cent from 60 per cent.

Two stroke engines are also going to be costlier. Fifty per cent supplementary duty has been proposed on the engines, which are used by the three wheelers.

Finance Minister S A M S Kibria Thursday said in his budget speech the government has decided to discourage the use of three wheelers in stages

and import of old cars on environmental grounds.

"Pollution has increased in big cities to a dangerous level. Three wheelers are one of the major sources of environmental pollution. But such vehicles are used by the common people and hence use of those cannot be stopped suddenly," Kibria said.

He said autorickshaws are the only mode of fast and mechanised vehicle where roads are being constructed. In small towns there is a high demand for these vehicles, necessitating phasing those out in stages.

On reconditioned cars, he said maintenance of old cars has become expensive and those, are detrimental to envi-

ronment also to discourage import of old cars, he propose to reduce maximum depreciation on assessment of old cars, he added.

The minister also said that in order to facilitate public transportation alternative measure have already been taken to make buses and taxi cabs easily available.

Kibria also proposed 100 per cent accelerated depreciation on plants and machinery engaged in the collection and processing of bio-degradable wastes.

To encourage solar power, photovoltaic generator has been exempted from customs duty and VAT. Wind generator will continue to remain exempt from duties and VAT.

Plunging yen threatens to deepen Asian crisis

TOKYO, Jun 12: The yen keeps plunging against the dollar, threatening to deepen Asia's economic crisis, deliver a crippling blow to Japan's ailing banks and force China into a currency devaluation of its own, reports AP.

Tokyo's puzzling response has been to watch and wait. The reason, say analysts and traders, is that despite long-term the reason, say analysts and traders, is that despite long-term dangers, the currency's decline has a big short-term benefit: a weak yen means higher profits for Japan's export companies.

Japan's currency sank more than two yen-per-dollar Thursday in US and European markets, with traders interpreting comments by US Treasury Secretary Robert Rubin as meaning there would be no US support for the sagging yen.

It fell further in Tokyo on Friday — to as low as 144.75 yen to the dollar. Traders reasoned that if US officials weren't worried, Japan was unlikely to do much to stop the fall either.

Comments from Japan's policymakers on Friday — the same day Japan announced it had sunk into a recession — did little to change their minds.

Finance Minister Hikoaru Matsunaga said he was ready to take "decisive action" to stop the yen from falling too far, but there was no indication such action would come soon.

Another influential economic official said he wasn't worried about yen weakness at all. "I don't see a negative effect of the week on the Japanese economy," Kofi Omi, Director General of Japan's Economic Planning Agency, said Friday at a regular press conference.

Omi suggested that if a weak yen was causing problems elsewhere, "leaders of the world economy in Asia, US and Europe should do whatever is necessary."

The yen's decline already has helped the giant exporters that power Japan's economy, Honda Motor Co., Canon Inc. and Nintendo Co. recently reported double-digit profit

growth for the year ending in March. The profits were due, in large part, to the dollar's gain against the yen last year.

A rising dollar and falling yen helps exporters by making their products cheaper and more popular in overseas markets. Even if prices aren't lowered in foreign markets, profits earned there become more valuable in terms of the home currency when the yen falls.

But economists say that further yen weakness could make Japan's exporters so competitive that they'll begin to clobber exporters from elsewhere in Asia and China, which has so far avoided a currency devaluation.

If yen weakness forces China to lower the value of its yuan, market watchers worry they'll see a whole new round of devastating devaluations sweep through Asia as countries knock down the value of their currencies to keep their exporters competitive.

Mahathir rules out borrowing foreign fund

KUALA LUMPUR, Jun 12: Malaysia's prime minister on Friday ruled out the possibility of Malaysia borrowing overseas funds to help it ride out the economic downturn, reports AP.

Prime Minister Mahathir Mohamad iterated that Malaysia doesn't have excessive foreign debt, the national news agency Bernama reported on Friday. Because of that, the nation could handle its economic problems without foreign aid.

"A country heavily indebted to another will find itself unable to repay the loans, and as such, has to bow to the demand of foreign powers," he told his party supporters in Terengganu state on the east coast of Malaysia.

Mahathir likely was setting the tone for his major economic speech to be delivered at the governing United Malays National Organization party assembly next week.



Money dealers on the Tokyo Foreign Exchange flash hand signals as the US dollar against Japanese yen is quoted at 144.03 early afternoon trading on Friday. The US currency continues to surge as high as nearly eight-year high against the yen as traders bet that major central banks won't intervene to support the yen. — AP/UB photo

Many Asian stock, currency markets fall again

HONG KONG, Jun 12: Many Asian stock and currency markets fell once again Friday, thanks to Japan's weak yen, its newly announced recession and losses on the bourses of Europe and America, says AP.

In Seoul, the key stock index tumbled 8.1 per cent to close at 302.09, the lowest since 301.56 of Jan. 28, 1987, on fears that Japan's woes may eventually wreck the South Korean economy, too.

In Taiwan, shares closed at another seven-and-a-half month low as investors, pressured by the need to maintain margin ratios, bailed out of the market. The key Weighted Price Index closed 93.63 points, or 1.3 per cent lower, to 7,117.11 points.

And in Kuala Lumpur, the key Composite Index was 2.2 per cent lower at 472.51 points at midday, as investors continued to sell their local shares on

worries that the problems in the region's economies will prolong Malaysia's economic woes.

As Japan's yen fell once again against the US dollar, Southeast Asia's battered currencies followed suit.

But not every market closed lower. After repeated losses, the main stock markets in Tokyo, Hong Kong and Australia finished the day with slight advances.

Japan, Asia's troubled economic powerhouse, confirmed Friday what many economic analysts had long suspected, that it has sunk into recession, with two back-to-back quarters of negative growth.

Japan's real gross domestic product for the first quarter this year fell 1.3 per cent from the previous quarter. Last quarter, the economy shrank 0.2 per cent. Japan's gross domestic product for the entire fiscal year ended March 31, 1998,

shrank 0.7 per cent, the first contraction during the entire year since 1974.

Fears that the weakening yen would force China to devalue its yuan also spilled over to Wall Street and Europe, raising fears that Asia's protracted financial crisis would lead to a worldwide slump.

European markets and the Dow Jones Industrial Average ended sharply lower Thursday.

A cheaper yuan would feed Chinese inflation and trigger a wave of regional devaluations, further weakening key economies such as Hong Kong's and spreading as far as Russia, analysts suggested.

"It's all about the yen," said Michael Lim, the head of the treasury department at Standard and Chartered Bank in Jakarta. "Nobody can stand a strong dollar."

traders interpreted comments by US Treasury Secretary Robert Rubin as meaning that a coordinated effort by central banks to boost the falling yen was unlikely.

In late afternoon, the dollar is trading at 144.04 yen up 2.36 yen from late Thursday in Tokyo and above its late New York rate of 143.79 yen overnight. At one point, the dollar moved as high as 144.75 yen in Tokyo, matching a high recorded in August 30, 1990.

Rubin iterated in Washington that Japan must revive its ailing economy, warning that its "economic difficulties and weak currency are having substantial adverse impact on the East Asian countries." He said it's up to Japan to halt the yen's slide.

In Asia's currency markets, the Singapore dollar was quoted at 1.7430 to the US dollar at midday, up from 1.7360

in late trading in Asia on Thursday.

Malaysia's ringgit also was lower, trading at 4.0000 ringgit per US dollar, up from 3.9750 the previous day.

The Thai baht was down, with the US currency trading at 43.35 in mid-morning, up from 43.12 at the close of trading Thursday.

In Japan, Tokyo shares fell in the morning to their lowest levels since Jan. 14, but a last-minute rally left them little changed from Thursday's close. The benchmark 225-issue Nikkei Stock Average gained 8.29 points, or 0.06 per cent, to close at 15,022.33. On Thursday it had lost 2.12 per cent.

Shares in Hong Kong were down by 1.7 per cent at the open, but clawed back on bargain hunting to close the morning session at 7.916.97 points, up 0.4 per cent. However, the index had lost eight per cent in the

past four sessions.

Singapore's benchmark Straits Times Industrial Index dropped two per cent when the market opened. But bargain hunting buoyed the key index in the afternoon pulled it to 1,090.17 points, up 0.3 per cent from Thursday's close.

In Kuala Lumpur, the benchmark index opened down 2.3 per cent, and Thailand's key index opened down 0.8 per cent.

Shares in New Zealand fell for the 12th consecutive session, closing 11.5 points lower at 1,997.63.

Bucking the trend, Jakarta stocks opened higher, but the rupiah fell against the US currency early Friday trading at 14,250 to the dollar, down from 13,750 late Thursday.

Australian shares broke an eight-day fall, with the key index closing 0.5 per cent higher at 2,558.70 points.

Shipping Intelligence

CHITTAGONG PORT

Berth Position and Performance of Vessels as on 1.6.98.

Berth No	Name of Vessels	Cargo	L Port Call	Local Agent	Date of Leaving
J/1	Nan Ping Shan	C Clink	Kose MBL	28/5	12/6
J/2	Gui Jiang	G	Viza BDBShip	29/5	14/6
J/3	Al Salamans Rice (P)/GI Cal	ASLL	12/5	12/6	
J/4	Sanko Laurel	M Seed	Titi Litmond	21/5	16/6
J/5	New Capella (48)	G	Mong Prog	7/6	11/6
J/6	Martina	Rice (P)	Kand Cross	31/5	20/6
J/7	Minjung	G	Tiang BDBShip	29/5	15/6
J/8	Ever Express	Rice (G)	Kaki Litmond	2/6	15/6
	Tia Estela	G	Sing Oil	29/5	12/6
J/9	Bay Pacific	Wheat (P)	Adil MSA	31/5	15/6
J/10	Ritz	Rice (P)	Kaki Cross	6/5	21/6
J/11	Nuptse	Cont	Sing RSL	8/6	14/6
J/12	Bin Cheng Jiang	G	Mong ECSL	29/5	12/6
J/13	Banglar Doot	Cont	Sing ESC	2/6	11/6
CCT/1	Banga Biraj	Cont	Sing BDBShip	4/6	12/6
CCT/2	Mir Damad	Cont	Sing SSL	9/6	13/6
CCT/3	Xpress Nilgiri	Cont	Sing RSL	4/6	13/6
RM/14	Kian Ann	C Clink	Mala PSAL	24/5	13/6
CGJ	New Growth	C Clink	T YangSeacom	R/A	15/6
GSJ	Pride of the South	Cement	Sing RSA	R/A	19/6
TSP	Vega-T	R Phos	AnamLitmond	11/5	12/6
RM/4	Mu Dan Shan	Cement	Sing Bright	11/5	14/6
RM/5	Ryomyong	Cement	Sing Delmore	21/5	20/6
DDJ	Tanto Raya	Cement	Sing IML	25/5	16/6
DDJ/1	Tanary Star	Idle	Para PSAL	15/6	15/6
DDJ/2	Tug Ocean Alpha	Idle	Sing Ilapat	24/5	12/6
	Laut Tide	Idle	K Dia B Bay	R/A	12/6
RM/9	Banglar Jyoti	Repair	BSC	R/A	15/06
CUP/L	Josie	Idle/Rice (P) Kaki	USTC	28/4	-

Vessels Due at Outer Anchorage

Name of Vessels	Date of Arrival	L Port Call	Local Agent	Cargo	Loading Port
Sea Bright 26/5	12/6	Sing	Pil (BD)	Cont	Sing
Prosrich 3/6	11/6	Sing	QCSL	Cont	Sing
Amethyst 48/7/6	11/6	Sing	MBL	G	Sing
Qing Yang	13/6	S Hai	BDBShip	G	Chin
Banglar Robi 28/5	13/6	Sing	BSC	Cont	Sing
Xpress Resolve 3/6					