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Expanded unit of Rangamati Textile Mills opens

RANGAMATI, Jun 13: An expanded unit of state-owned Rangamati Textile Mills at Ghagra was opened today, reports UNB.

State Minister for Textiles AKM Jahangir Hossain inaugurated the unit.

The unit comprising 6,048 spindles has been set up at a cost of Tk 2.88 crore under the Annual Development Programme.

It will produce over 4.64 lakh kgs of yarn per year.

Addressing a workers rally organised on the occasion, Jahangir said the government has undertaken a master plan for overall development of the neglected Chittagong Hill Tracts through establishment of mills and industries and generation of large scale employment opportunities along with harnessing its natural resources.

The State Minister said the signing of the historic CHT peace agreement help regain the confidence of the people of the region and a favourable climate has been created for development of socio-economic infrastructure there.

Jahangir called for building a social resistance against the evil forces who are out to jeopardise the country's independence and sovereignty through keeping alive the CHT problem.

Presided over by Bangladesh Textiles Mills Corporation Chairman AFMS Zaman, the meeting was also addressed by Dipangkar Talukder, MP, and Chairman of Rangamati Local Government Council Ching Que Roaza.

Inter-bank forex trading rises

A general meeting of Bangladesh Foreign Exchange Dealers' Association (BAFEDA) was held on Thursday at the conference room of BAFEDA, reports BSS.

Mahbubur Rahman Khan, Managing Director of Sonali Bank and Chairman of the Executive Committee of BAFEDA presided over the meeting which was attended by the chief executives of the member banks and their authorized officials.

The meeting reviewed the position of inter-bank foreign exchange market and noted that inter-bank transactions in foreign exchange were going on smoothly and the same maintained an increasing trend.

During first 11 months of the current financial year (1997-98), inter-bank transactions in foreign exchange in US dollar term totalled 10.1 billion as against 6.5 billion in the corresponding period of the preceding financial year.

Election to BAFEDA executive body

The meeting elected the executive committee of the Association.

Mahbubur Rahman Khan, Managing Director of Sonali Bank, Kazi Abdul Mazid, Managing Director of Prime Bank Ltd and MM Taheruddin, Managing Director of the City Bank Ltd were elected chairman vice-chairman and treasurer respectively.

A Yussouf Khan, Mosharraf Hossain, M Aminuzzaman, Ashfaque U Chowdhury, managing directors of United Commercial Bank Ltd, Agrani Bank, Uttara Bank Ltd, Dhakabank Ltd respectively Geoff Williams, Chief Executive Officer, Standard Chartered Bank and John A Smetanka, Senior Director and General Manger, American Express Bank, were el[illegible] members of the commi[illegible]

Russia plans cut in public spending by $ 6.8b

MOSCOW, Jun 13: The Russian government plans to cut public spending by 42 billion Roubles (6.8 billion dollars) to ease the country's financial crisis, Deputy Prime Minister Viktor Khristenko said on Saturday, reports AP.

"Such rigid measures are necessary to put the country's budget into a realistic frame and not to continue to accumulate debt," he told regional administrators in Chelyabinsk, according to the ITAR-Tass news agency.

Khristenko, the deputy prime minister in charge of state finances and macroeconomics, said he did not expect the austerity measures to pay off overnight. He also said he did not expect full collection of tax revenues.

"Tax debts remain large and fiscal services must step up their efforts, as an unbalanced budget was a major factor in the financial crisis," Khristenko said.

The Russian economy is stagnating, with little or no growth in most areas. The government has promised deep cuts in public spending and improved tax collection to try to improve the situation.

The government announced last week that it will lay off 231,100 employees, or 3.6 per cent of its work force, as part of the drive to reduce the budget deficit.

Budget draws more praises

Star Business Report

More business organisations have hailed the proposed 1998-99 budget unveiled by Finance Minister Shah AMS Kibria in the Parliament on Thursday.

Kibria keeps promises, says BTTLMEA

Bangladesh Terry Towel & Linen Manufacturers and Exporters Association (BTTLMEA) has welcomed the proposed budget and thanked the Finance Minister for keeping his promises.

The organisation expressed satisfaction over the reflection of suggestions from various trade bodies on the budget and thanked the Finance Minister.

"We highly welcome the proposed annual budget of 1998-99. It is a pro-people, pro-export and growth-led budget," it said in a press statement issued yesterday.

The decision to continue 25 per cent alternative cash benefit to exporters of textile sector for using local raw materials and reduction of custom duty on import of raw materials will help attain higher growth in this sector, they said.

They also lauded tax reforms in the proposed budget.

"We are very happy to note that the govt has realised the necessity of simplifications of VAT and Income Tax payments."

The Association also praised measures like reduction of duty on import of computer components, support for sick industries, jute industries, agro-processing, leather and plastic industries, which would help boost industrialisation of the country.

"We sincerely believe that this budget would bring desired economic growth of the country and we assure our cooperation in the process," it said.

Shippers see export growth

M R Ali, Chairman of Shippers' Council of Bangladesh, said that the budget would help increase exports of industrial products, set up new industrial units and expand existing industries.

"Industrial production will also go up if the really sick industries can be identified and given interest remission as contemplated in this budget," he said in a press statement yesterday.

Increased allotment for education and health sectors will pave the way for socio-economic development of the common people, he said.

He, however, said that the common people will be hard hit to some extent due to expansion of the VAT.

Fenchuganj Power Plant in dire state

Two out of 3 units inoperative due to 'technical faults'

From Iqbal Siddiquee

SYLHET, June 13: The 90 MW Fenchuganj Combined Power Plant is now generating only 30 MW power as two of its three units are inoperative due to technical faults, sources at the plant said today seeking anonymity.

The second unit of the plant, Gas Turbine-1, is inoperative since April 12 following breakdown of its turbine blade. The third unit, Steam Turbine, was also shut down on May 20 due to a technical fault, which is still undetected by the PDB, the sources said.

Only the first unit, Gas Turbine-1, is generating 30 MW power now.

A three-member enquiry committee was formed to probe the breakdown of the blade of the Gas Turbine-1 but none of the committee members visited the plant as yet, the sources said.

The committee is headed by the Superintending Engineer of Shahjibazar power plant. Two other members are the Executive Engineer of Haripur power plant and the Executive Engineer, Design and Inspection, at PDB's head office in Dhaka.

Meanwhile, an engineer from Hitachi of Japan, which had installed the Fenchuganj power plant in 1995, has visited the plant, the sources said.

Russia to continue cuts in trade missions

MOSCOW, June 13: Russia will continue a programme of reducing the size of its trade missions around the world with further cuts in Africa, the ITAR-Tass news agency reported on Tuesday, reports AP.

The trade missions in South Africa, Mozambique and Nigeria will be cut back and become departments of the Russian embassies in each of those nations.

Trade missions to some 40 nations have already been reduced as part of the government's efforts to cut spending.

Dollar runs at another 8-year high against yen in NY

NEW YORK, Jun 13: The dollar on Friday approached another eight-year high against the yen after Japanese officials announced the economy suffered the first full year of decline in 20 years, reports AP.

The dollar fell against the mark, which also gained on the bad news out of Japan, allowing the German currency to hit a five and a half year high against the yen.

The dollar reached an all-time high against the South African rand as central bank officials gave up defending their currency and unexpectedly lowered interest rates.

The dollar rose to 144.72 yen in late New York trading, up from 143.79 yen Thursday. During Asian trading, the dollar hit 144.75 yen, a level not seen since August 1990.

It was the second consecutive day the US currency approached an eight-year high after several weeks of moving through seven-year highs.

The dollar also was changing hands at 1.8056 marks in New York, down from 1.8087 on Thursday. During trading, however, the dollar reached 1.8106 marks, a level last seen in late April.

Economic sanctions won't return N-genie to bottle: Pakistan

ISLAMABAD, June 13: Pakistan warned Saturday that economic sanctions, approved by the foreign ministers of the world's major powers, won't return the nuclear genie to the bottle, says AP.

"The policy to punish in order to push the (nuclear) nonproliferation agenda will not succeed," Foreign Ministry spokesman Tariq Altaf told a news conference. "It is unrealistic and based on a fictional notion of the realities in South Asia."

Instead Altaf said the international community should move quickly to draw up a blueprint to resolve the 51-year-old Kashmir dispute that has been the flash point of two wars between India and Pakistan.

The uneasy neighbours fought a third war in 1971 over Bangladesh or what was then East Pakistan.

In an interview with The Associated Press earlier this week, Foreign Minister Gohar Ayub warned that a fourth conflagration on the Asian subcontinent would surely escalate into a nuclear war.

Calling India's ruling Hindu nationalist Bharatiya Janata Party government "trigger happy," Ayub said, "where such threats are being made by Hindu fundamentalists you can expect a nuclear launch and a nuclear escalation."

At a meeting in London on Friday, the world's leading industrialised nations decided to deny non humanitarian loans to both Pakistan and India in retaliation for their nuclear tests.

India detonated five nuclear tests on May 11 and 13 and Pakistan one-upped its longstanding enemy with six tests conducted two weeks later.

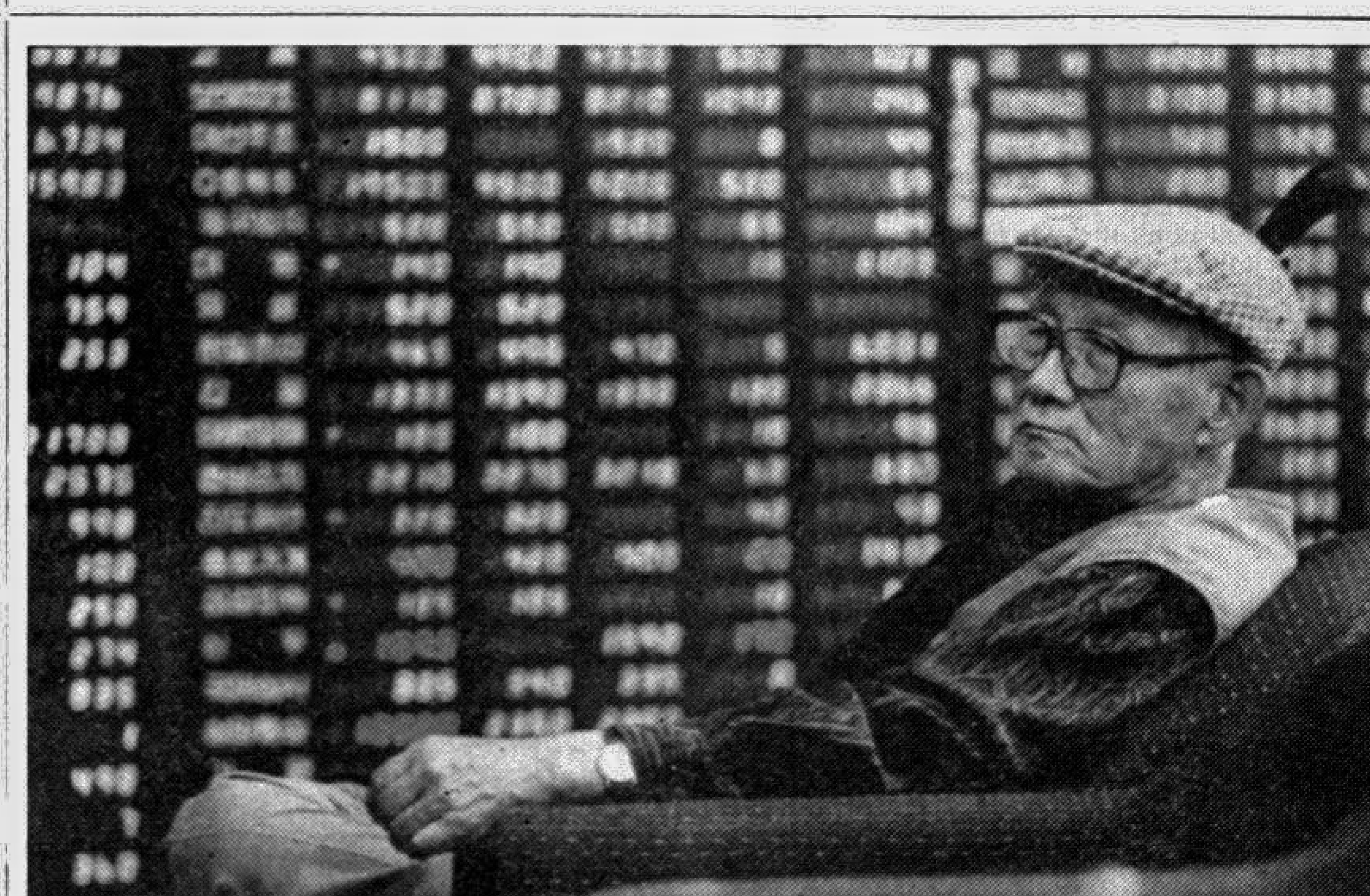
"Any sanctions will continue to remain unproductive," said Altaf.

Both Pakistan and India have called for talks, but the offers have deteriorated into accusations against each other.

Pakistan says India is insincere and Altaf said "Pakistan has lost faith in bilateral talks with New Delhi.

Successive attempts at bilateral talks to settle the Kashmir dispute, a former princely state that is divided between the two countries, have failed, said Altaf.

The world's leading nations also warned Pakistan and India against developing nuclear weapons, but Altaf said until the outstanding issue of Kashmir is settled the specter of war hangs over the region.



A South Korean investor looks at a stock board in a stock securities in Seoul on Saturday. Korean stocks plunge by 8.1 per cent to 11-year low. — AFP photo

ROK lifts investment restriction on DPRK

SEOUL, Jun 13: In a policy shift aimed at luring North Korea towards peace, South Korean businesses will be allowed to freely ship industrial facilities to the communist state, officials said Saturday, reports AP.

A severe financial crisis has idled many plants in South Korea. And the new policy was expected to entice businesses to relocate their extra gear to the labour-cheap North.

Until now, South Korean companies had to get government permission when they sent machinery and other production facilities worth more than dlrs 1 million to the North.

"The government abolishes that restriction, effective next Wednesday, to boost economic exchanges with the North," the Ministry of National Unification said in a statement.

In March, the government of President Kim Dae-jung announced it will lift virtually all restrictions on investment in North Korea under its new of strategy of engaging the North, rather than isolating it.

Saturday's move was the first policy follow-up on that announcement.

It also comes in tandem with the planned visit to the North next week by a South Korean tycoon.

Chung Ju-yung, owner of the giant Hyundai group, will drive 500 cows into North Korea Tuesday across the Demilitarized Zone that separates the two Koreas.

The cows are part of a gift Chung has promised to give North Korea in return for his visit aimed at visiting his native hometown in the North and looking into business opportunities there.

The Koreas were divided into the communist North and the capitalist South in 1945. Their border is sealed, with nearly two million troops deployed on both sides.

The past South Korean governments had permitted only piecemeal investment in the North. Businessmen have had to go through lengthy government red tape simply to get a permission to discuss a deal in the North. Such negotiations have often been suspended at the slightest sign of political tension.

Intel Corp. Chief Executive Officer Craig Barrett (L) and Chairman Andy Grove (R) hold and shake hands with South Korean President Kim Dae-Jung (C) during a tour at the chip maker's headquarters in Santa Clara, California on Friday. — AP/UNB photo

Policy shift in budget

Delhi faces major problems

NEW DELHI, Jun 13: India's ruling Hindu nationalists face major economic problems after being forced into a rapid U-turn over budget policies unveiled barely a fortnight ago, reports said today, reports AFP.

The Economic Times warned the climbdown over import tariffs and other measures by Finance Minister Yashwant Sinha, announced Friday, would raise the fiscal deficit to nearly six per cent of gross domestic product (GDP) during the fiscal year to March 1999.

Sinha said Friday he was cutting the eight per cent increase in import duties — widely hailed as a protectionist measures — to four per cent and cancelling proposed price rises of fertiliser.

The government, which also reduced a petrol tax hike last week after claiming there had been a misunderstanding, will lose about 900 million dollars in revenue, the newspaper said.

The cuts in import levies were forced on the government after fears they would fuel inflation and reduce the competitiveness of exporters using imported raw materials.

Some economic experts estimated inflation would rise by 2.5 percentage points because of the import duty plan.

The Economic Times said the afterthought on an eight per cent import duty, an attempt to protect certain domestic industries from foreign competition, showed that the nationalists' vow to champion "*swadeshi*" or economic nationalism was "evaporating in the melting pot of reality".

Before announcing his maiden budget on June 1, Sinha said he hoped to reduce the fiscal deficit to 5.6 per cent of GDP or 22.2 billion dollars.

India's current fiscal deficit is expected to reach six per cent of GDP this year.

But he denied the nationalists, who came to power pledging an "India... built by India" and who said foreign investors would be limited to key infrastructure sectors, would reverse 1991 market reforms.

The nationalists argue India needs internal liberalisation of its industry before globalisation.

The Business Standard daily Saturday quoted senior finance ministry officials as arguing that Sinha's volte-face would not affect the fiscal deficit due to "cushions built into the budget."

Sinha had said his 65.3-billion-dollar budget would lead to economic growth of seven per cent in the fiscal year, aid industrial growth and "revive the investor sentiment."

But it has been badly received by the country's financial markets, with share prices and the rupee under pressure during the past w[illegible]k.

Another wave of currency devaluation in Asia likely

HONG KONG, Jun 13: Asia is bracing for a very hard landing now that figures released by Japan have confirmed a recession, but the worst news is no one knows how long the fall will last, reports Reuters.

Gross domestic product figures released on Friday by Japan underscored the economy is in recession, showing an annualised 5.3 per cent contraction in the first quarter.

Analysts warned of the imminent threat of another wave of currency devaluations in Asia with increasing evidence that the financial crisis has started to freed upon itself.

With the yen widely expected to test 150 to the US dollar soon, Asia confronts another upswing in interest rates to fend off renewed currency contagion.

"If the yen continues to weaken at the pace it has the last couple of weeks, the interest rate defence will become increasingly untenable and currencies are more likely to weaken," said Goldman Sachs economist Don Hanna.

Interest rates are already at levels that have killed off any hope of economic recovery for years in some countries.

A vicious circle has developed with a credit shortage lifting non-performing loans and lowering economic activity, which is turn pushes rates higher and worsens the credit crunch.

For this reason, some Asian governments are expected to resort to the printing presses as a short-term fix for their gutted economies.

And that leaves Asian currencies taking the pain.

Jan Lee, Chief economist at Hong Kong and Shanghai Banking Corp, said the Thai baht, the Philippine peso, the Malaysian ringgit and the Indonesian rupiah will depreciate by at least five per cent over coming weeks as central banks inflate the money supply to keep domestic economies alive.

"From this point on the expectation is that interest rate pressures will be capped or limited and the risk premium in terms of monetisation will fall on the currencies," he said.

Thai Deputy Prime Minister Supachai Panitchpakdi last week warned of the global implications of a second crisis, but Thailand has already admitted its desire to see rates fall.

Its currency has paid the price, falling to 43.50 to the US dollar on Friday from a recent high of 37.50 last March. The pace of the decline accelerated in mid-May.

By contrast, South Korea's won, in the front-lines of currency contagion from Japan, was remarkably steadfast while the yuen sank. The won barely moved, confirming the government's determination to force a deflationary economic adjustment.

That economic adjustment was reflected in a massive slide in the asset market, with Korean stocks closing at an 11-year low on Friday of 302.09, down 11 per cent on the week.

"I cannot find even anecdotal evidence of magnetisation in Korea," said Lee. "They have done an excellent job."

But, as unemployment soars and social tensions mount, analysts question South Korea's determination to hold the line and persist with staggering structural change.

While Asian economies struggle to stay alive through the next wave of turmoil, analysts warned the slow pace of structural change and recapitalisation — particularly of the banks — was adding to negative market sentiment.

"Failure to recapitalise is hanging over the market as a big factor that needs to be resolved. Markets don't like uncertainty and this is a major force in the downward spiral," said Mark Hopkinson, head of investment banking at Schroders Asia.

Reluctant sellers had stalled the sale of healthy companies, while some unhealthy companies' insistence upon attempts to recapitalise rather than sales or debt write-offs were rosening the region's economic malaise, economists said.

"Many of these owners won't be able to raise capital, and fiddling while they're looking for this money is having serious economic costs," said Hanna.

Int'l tourism revenue growing

GENEVA, Jun 13: The global tourism industry generated 3.8 trillion dollars in revenues in 1997, or almost 11 per cent of world gross domestic product, a report by the UN Conference on Trade and Development said, reports AFP.

The figure included intentional and domestic transport said the UNCTAD report on international trade in tourism-related services issued on Friday. Without these two items, the tourism intake last year was 448 billion dollars.

UNCTAD said the sector last year provided 262 million jobs, or 10.5 per cent of total world employment.

International tourism revenues have been growing at an average 12 per cent year over the past three decades.

"Forecasts point to the continued dynamic growth of tourism until the year 2020 at a rate at least twice as fast as that of GDP", the report said.

Tourism is the only large sector of international trade in services where poor countries have consistently posted a surplus.

It more than doubled during the second half of the 1980s, driven by the growth of tourism in Asia, the Pacific rim and Africa.

In contrast, the overall travel account balance of developed countries has been in decline since 1980, falling to 19.2 billion dollars in 1996, UNCTAD said.

But developing countries still only account for less than 30 per cent of world tourism receipts.

Forex industry on brink of eliminating settlement risk

LONDON, Jun 13: The foreign exchange industry is on the brink of eliminating settlement risk two decades after the failure of a small German bank highlighted this danger, reports Reuter.

If a new international consortium of banks has its way, the so-called Herstatt Risk — named after the failure of Bankhaus Herstatt in 1974 — should start disappearing from the currency market vocabulary in the next two years.

London-based CLS services expects to have set up by mid-2000 a global continuous linked settlement (CLS) system which will allow its members to simultaneously exchange funds for the settlement of forex transactions.

The system will be run by CLS bank, specially established for this purpose.

"Ten to twelve years ago it wasn't even recognised we had a risk here," Larry Recknagel, chief executive of CLS Services, the parent of CLS bank, told Reuters in an interview.

"Now we're getting in the environment where over the last 10 years banks have done a lot of work on risk-adjusted return.

"And when you look at Herstatt risk — one you realise it is a risk — it doesn't take much to realise there is no return on this type of risk."

Bankhaus Herstatt was a small German bank active in the currency market whose failure left large outstanding payments within the forex settlement process, causing a chain reaction of settlement problems around the world.

This bank's failure exposed the risk of settling the two legs of forex transactions separately. There is often a delay in payment between the two legs and should one counterparty fail during the settlement process, the other counterparty may not receive its expected payment.

CLS bank, which will be based in New York, will operate a payment-versus-payment system whereby members' forex transaction payments and receipts are routed through the bank and settled instantaneously.

This is done via domestic real time gross settlement systems and where such systems have overlapping hours. Hence, the term continuous linked settlement.

China may issue $ 5.4b in T-bonds

BEIJING, June13: China's Finance Ministry announced it would issue 45 billion yuan (5.4 billion dollars) in voucher treasury bonds from June 10 to October 31, the official Xinhua news agency reported, says AFP.

A ministry spokesman said the new bonds are to raise more funds for economic construction and meeting public demand for treasury bonds.

Twenty-seven billion yuan (3.3 billion dollars) will be in three-year bonds with an annual coupon rate of 7.1 per cent and 18 billion yuan (2.1 billion dollars) in five-year bonds with an annual interest rate of 7.86 per cent, the spokesman said.

Grand Alliance announces new schedule for PAX Service

Grand Alliance member lines-Hapag-Llyod, Malaysia International Shipping Corporation Bhd (MISC), NYK Line, Orient Overseas Container Line (OOCL) and P&O Nedlloyd have announced an improved schedule for the pendulum service between Asia, North America and Europe with effect from July 1998, according to an OOCL press release.

With the new schedule, the Pacific Atlantic Express (PAX) Service will add call at an Atlantic port in Panama providing a linkage between Asia and Central/South America, but the east-bound call at Yokohama and Los Angeles will be dropped.

The new port rotation is Kaosuing-Hong Kong-Kobe-Nagoya-Seattle-Oakland-Atlantic port in Panama-Savannah-Norfolk-New York-Halifax-Antwerp-Thamsport-Bremenhaven-Rotterdam-Halifax-New York-Norfolk-Savannah-Atlantic port in Panama-Los Angeles-Oakland-Yokohama-Kobe-Kaosiung.