

**European economic merger unfazed by Russian crisis**

FRANKFURT, Germany, Sept 20: With financial turmoil buffeting much of the world, it might seem that Europe's economic merger — just three months away — couldn't be happening at a worse time, says AP.

Yet, despite the economic woes in Asia, Russia and Latin America, Europeans remain confident they can pull off their ambitious project to create a unified economic zone of nearly 300 million people, rivaling the United States.

On Jan. 1, in one of the biggest monetary changes in history, 11 of the European Union's 15 members will merge their currencies into a single one, the euro. Euro countries are Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The stakes of monetary union are high and officials will no doubt weigh the European impact of the world economic wobble.

But while the financial turbulence will almost certainly reduce economic growth in the euro zone, it's unlikely to deal a mortal blow.

The start of (the monetary union) will happen independently of events in Russia or Asia," said Werner Becker, senior economist at Deutsche Bank, Germany's largest commercial bank.

The effect of a shaky world economy, he said, "is not negligible, but it is not that which will destroy us."

"The growth will make it tough, if not impossible, for some euro-zone countries to balance their budgets, or run a surplus as required under terms of the union."

Many say, though, the major challenges lie in working out the details of a common monetary policy, unifying payment systems and making sure commercial banks can cope with the changes. These details are up to the new European Central Bank.

"These are very tough issues," said Holger Schmieding, senior economist at Merrill Lynch and Co.

He thinks central bankers have made a slow start in deciding whether to use inflation or money supply to track price stability within the zone. Others caution the issue is too important to rush.

The European Central Bank is charged with keeping prices stable; inflation is its chief enemy.

Meanwhile, ECB president Wim Duisenberg has urged the nations preparing to adopt the single currency to pare government spending to ensure currency stability in the face of the turbulent global economy.

He said the financial turmoil in Asia and Russia would have a dampening effect on world economic growth.

But, he said, after a Sept. 11 meeting of the bank's council of governors, growth in Europe was still "broadly on track."

Duisenberg urged further budget cuts in 1999 to help ensure currency stability. Otherwise, he said, government deficit-reduction efforts could be hampered.

**Pak forex reserves fall**

KARACHI, Pakistan, Sept 20: Pakistan foreign exchange reserves fell to 1.348 billion dollars on September 12, from 1.353 billion dollars a week earlier and 2.159 billion dollars on September 13, 1997, the State (central) Bank of Pakistan said yesterday, reports Reuters.

Following are weekly foreign exchange reserves holdings position in Pakistan:

(Billion dollars)	Sept 12	Sept 5	Sept 13, 1997
Total	1,348	1,353	2,159
Foreign			
Pakistan	0.827	0.871	1.125
Foreign			
Pakistan	0.117	0.077	0.357
Gold coins and bullion	0.603	0.603	0.677
Special drawing rights	0.001	0.002	0.00036

**Skymark Airlines enters Japanese domestic market**

TOKYO, Sept 20: A cut price Japanese airline flew its inaugural flight between the capital and a southern city yesterday becoming the first carrier in 35 years to enter the domestic market, reports AFP.

Skymark Airlines, funded mainly by discount travel agency HIS Co Ltd and major leasing and finance company Orix Corp, flew a first Boeing 767 on the 800-kilometre (500 mile) route from Tokyo to Fukuoka.

The airline entered a domestic market long dominated by three firms — All Nippon Airways, Japan Airlines and Japan Air System.

Skymark charges 13,700 yen (103 dollars) for the one-way flight, half the regular fare of the three older firms and less than the 23,500 yen by the Shinkansen bullet train.

**Floods likely to create power crisis in India**

by Hemant Babu

MUMBAI, Sept 20: Northern India may face a severe power shortage during the next few days if a government-run company fails to restore gas supply to power plants feeding the northern power grid.

The Gas Authority of India Ltd (GAIL) was forced to suspend gas supply to industries uplinking from Hazira-Bijapur-Jagdishpur (HBJ) gas pipeline a couple of days ago following torrential rains and floods in two western states of Gujarat and Maharashtra.

The Oil and Natural Gas Commission (ONGC) plant at Hazira in south Gujarat, from where GAIL supplies gas through two pipelines, has been marooned by flood waters recently. "If the waters don't recede by Sunday afternoon, the situation could become serious," an official cautioned.

Most of the eight large industrial plants in Hazira had either shut down or were facing great hardships. The National Thermal Power Corporation (NTPC) plant too was operating at a fraction of its capacity, officials said.

According to sources in Mumbai said the rising water level around the plant had caused serious disruption in cogeneration and pumping stations at Hazira. In turn, the GAIL was forced to suspend supply of gas to industries "till further notice". The GAIL officers refused to specify any time-frame for the resumption of supply, saying "the ONGC engineers were on the job to restore normalcy".

According to reports, the pipeline currently has just enough gas to last till tonight. Officials here were quoted as saying that arrangements were being made to supply alternate fuels like naphtha and diesel to four NTPC power plants in northern India. But this would be sufficient to run them at 30-40 per cent capacity.

GAIL has been handling about 35 million cubic meters of gas every day, feeding most of the gas-fired power plants in western and northern India. According to state government officials in Surat, the compressor station at Hazira was under two feet of water.

Jagdish Kapoor, spokesperson of the government-run Delhi electricity company, however, told IANS that the power situation was normal and they did not apprehend a crisis in the near future.

Delhi and large parts of northern India have been in the grip of a power crisis during the entire summer months leading to frequent outages and widespread consumer protests. Meanwhile, the situation in the diamond city of Surat was reported to be improving as the water began receding. About 150,000 people were moved to safe areas, officials sources say. Gujarat Chief Minister Keshubhai Patel told the press recently that relief work in the affected areas was in full swing. People were being provided with food-grain, medicine and temporary shelter.

— India Abroad News Service



A demonstrator dressed up as German Chancellor Helmut Kohl distributes self-printed banknotes during a protest of some 28,000 youths organised by the German trade unions in Frankfurt on Saturday demanding a change of policy and of the government in Bonn, just one week ahead of German general elections. — AP/UNB photo

**Delhi orders more talks on Bangalore airport project**

NEW DELHI, Sept 20: India has ordered more talks to be held on a jinxed airport project after the country's largest industrial group pulled out of the deal, newspapers said yesterday, reports AFP.

The southern state government of Karnataka was told to start talks with the Tata Group on building an international airport in the city of Bangalore at a cost of 675 million dollars, the Indian Express said.

A Tata-led consortium — Tata Industries Ltd, US-based Raytheon and the Changi Airports Authority of Singapore — in July dropped out from the project saying delays had soured the deal signed two years ago.

"In an obvious attempt to ward off any blame accruing to it for the Tata's withdrawal from the project, the aviation ministry announced that all outstanding issues have been resolved in principle," the daily said.

Aviation Minister Ananth Kumar said the "ball is now in the court of the state... I have told the chief minister of Karnataka to have a time-frame for renegotiation with the Tatas."

"I hope that he has taken the message in its proper and urgent sense."

The Business Standard daily said the government has formed a three-member panel, including members from the Tatas to resolve all the "issues".

"The issues relating to the extent of land required for the airport, the landing and parking fees, the nature of the consortium... were resolved in principle," Kumar said.

He said differences on the share of the traffic between the proposed airport by the Tatas and the existing one of a state-run company has also been solved.

"There share of traffic will be such that the Tatas will find the project viable. We have an open mind on this issue," Kumar said.

**Bangladesh team leaves for Geneva today ICC business dialogue begins Sept 23**

A nine-member Bangladesh delegation led by Mahbubur Rahman, President of International Chamber of Commerce (ICC B), Bangladesh, leaves Dhaka today for Geneva to attend the ICC Geneva Business Dialogue and 75th anniversary of ICC International Court of Arbitration to be held on September 23-25.

Several transnational companies and international organisations will debate new approaches to social and economic issues raised by globalisation at the meet, said the chamber in a press statement issued here yesterday.

Swiss President Flavio Cotti will open the conference. UN Secretary General Kofi Annan will address the conference via satellite from New York and WTO Director General Renato Ruggiero will also address the inaugural session of the dialogue.

The Geneva Business Dialogue brings together the heads of world's many leading companies and top officials of UN and other international organisations.

ICC is aiming at an agenda for action over the next few years on the many issues related to global economy. It will tackle, among other things how to manage the forces released by the emergence of a global capital marketplace; how to reconcile national sovereignty with the realities of a transboundary information society and how to overcome fears about the consequences of globalisation, it said.

As the ICC International Court of Arbitration celebrates its 75th anniversary, eminent world legal experts will speak of current issues in international business arbitration such as the interaction between courts and arbitrators problems encountered during the arbitral tribunal's deliberations and in making arbitral awards, arbitral errors and possible remedies, the outlook for international business arbitration for the next ten years.

The main theme of the session will be "Arbitration in the next decade."

Members of the ICC Bangladesh delegation include President of the FICCI and Managing Director of Rhone-Poulenc Rorer AKM Shamsuddin, former president of DCCI and Chairman of Newage Group ASM Quasem, former president of MCCI, Dhaka and Chairman of Square Group Samson H Chowdhury, Managing Director of Arab Bangladesh Bank A Rahim Chowdhury, Secretary General of MCCI, Dhaka CK Hyder, senior advocates of Bangladesh Supreme Court, Barrister Rafique-ul-Huq, Barrister Dr M Zahir and Barrister Rokanuddin Mahmud, who is also chairman of ICCB Standing Committee on International Law and Arbitration.

Among many leading international organisations taking part in the Geneva Dialogue, the World Trade Organisation (WTO) assumes special importance.

Besides, Mahbubur Rahman, who is also Member of the ICC Executive Board (Central Board of Governors), will attend the 90th session of the board meeting and 176th session of the Council, the highest policy making body of ICC.

It will also discuss report on the ICC's efforts to overcome the millennium bug. New ICC Roadmap for Electronic Commerce, ICC/UNCTAD pilot business investment guide project for LDCs including Bangladesh and ICC plan of action for 1999.

**S Africa-EU free trade talks break down**

JOHANNESBURG, Sept 20: Free trade talks between South Africa and the European Union (EU) broke up without agreement on Friday as the two sides wrangled over wine and food exports, South African media reported yesterday, says Xinhua.

The position has been a very hard-line one from their side," said Elias Links, South Africa's Ambassador to the EU and chief negotiator.

"What we want is for the European Commission (the EU Executive) to come back with an agricultural offer improved," he added.

The South African side had expected the European Commission to make new concessions on opening the EU market to South African exports of farm products such as cheese and milk, cut flowers, and fresh and processed fruit.

But South African officials said they found to their dismay that the EU refused to formally table a new agricultural offer until progress was made on a separate wines and spirits accord.

Links blamed the collapse of the 21st round of talks on the EU's insistence that South Africa stop labeling its fortified wines as sherry or port. The EU says only Spain can produce wines called sherry and only wines from the Portuguese city of Oporto can be labeled as port.

South Africa claims it has used those terms for 300 years. Although he expressed dismay at the lack of progress on the package overall, Links said advances had been made on industrial goods and he hoped talks could resume within the next couple of weeks.

However, aside from the wine and food issues, a number of other products remain sensitive, notably cars, chemicals and steel.

Officials from both sides also indicated fisheries would be difficult to resolve, with the EU demanding the right to fish in South African waters in return for opening up EU markets to south African imports.

**Tk 636 cr post-flood rehabilitation programme of Sonali Bank**

Star Business Report  
Sonali Bank has taken a programme to disburse Tk 636 crore for post-flood rehabilitation of agro-based projects and farmers, says a press release of the bank issued yesterday.

Seven special teams have been formed in order to take necessary steps to ascertain the losses as well as the need for providing agricultural loans to the people in the flood-affected areas.

The loans will be disbursed for cultivating crops, buying irrigation and agricultural equipment fishery projects shrimp culture, setting up dairy and poultry farms and agro-based industries, financing rural socio-economic and poverty alleviation programmes.

The bank has also made special arrangements for financing women on the above-noted schemes.

Special cells in this regard have been formed in each divisional general managers' office as well as in the office of the general manager Rural Credit Division, to keep vigil against lapses, sluggishness corruption complaint etc.

**Emirates releases new 365-page website**

Emirates has released a new 365-page website which provides leisure travellers with details of the 1,000-plus vacation programmes by Emirates Holidays to 32 destinations across the world, says a press release.

In a major exercise, the company has taken most of the information in Emirates Holiday's World of Choice brochures and placed it on a user-friendly new website.

The site provides information about the products and the destinations, including invaluable travel advice. The address is: <http://www.emirates-holidays.com>

Hans Haensel, Emirates' Head of Destination and Leisure Management, said: "This new website is an additional resource to the printed World of Choice brochures that will enable new and existing customers to plan and choose their vacations with Emirates Holidays from the web while at the same time, helping us to increase brand awareness in current and emerging markets."

Emirates Holidays, a division of Emirates Destination and Leisure Management, is the largest wholesale tour operator in the Gulf and Middle East. The division introduced the region's first range of comprehensive holiday programmes as early as 1993.

**Ansett looks to boost ties with S'pore airlines**

BRISBANE, Sept 20: Ansett Australia needs to establish its new commercial relationship with Singapore Airlines before focusing on the possibility of the Asian airline becoming an equity partner, Ansett chief executive Rod Eddington said Sunday, reports AP.

The Australian Competition and Consumer Commission has in the past month given formal approval for a trilateral relationship between Ansett, Air New Zealand and Singapore Airlines.

"Our major focus with Singapore and Air New Zealand is to get the commercial relationship to work," Eddington told Channel Nine's Business Sunday television programme.

"Once we can demonstrate that can work... that's the time to talk about equity."

Eddington said in the medium to longer term, he personally thought it would be a good idea for Singapore Airlines to become an equity partner, but ultimately that decision was for Ansett shareholders.

"My reading of the current shareholders is that their focus is on the recovery of Ansett as a business, not on necessarily bringing in another equity partner at this particular point in time."

**Lanka records foreign trade surplus**

COLOMBO, Sept 20: Sri Lanka's external trade in July this year recorded a surplus of nine million US dollars, according to the Central Bank (CB) today, reports Xinhua.

Exports for July stood at 511 million dollars while imports were valued at 502 million dollars.

This was the first time in the past 30 months that exports exceeded imports in a single month in the country, CB sources told Xinhua.

The bank noted that Sri Lanka's trade surplus was healthy, stemming from increased exports and not from a slow-down of imports.

The export earnings of 511 million dollars in July reflected a nine per cent increase over the same month last year.

**"In tough times, stick to your vision"**

Bad times are great times to improve—and even expand—a company. The important thing is to ensure consistency in your mission, says Simon Kwok, Chairman and Chief Executive Officer, Sa Sa International Holdings, Asia's dominant cosmetics retailer.

This last year has been an extraordinary period for Asia. In Hong Kong, the ripples of the Asian currency crisis put significant strain on the economy. As market conditions deteriorated, the retail industry came under increasing pressure. Retailers with regional operations also face lower margins and exchange losses from the devaluation of Asian currencies.

Against this backdrop, Sa Sa celebrated its 20th birthday, for the year ending March 31, 1998, with a 76.3% gain on the previous year's profit, and a 26.1% gain on last year's sales figure. Our strategies for development in the global market have proved to be successful so far.

What I would like to stress is that our promising results, achieved despite sluggish market conditions, can be attributed to three important factors:

- Consistency in our business mission
- Commitment to high-quality customer service
- Importance of investing in human resources

**Consistency of mission, in good times and bad**

Retail cosmetics has been the core business of the company, and has been from the start. We have not gone into any other business. And I believe there is still great potential in the cosmetics retail industry.

Likewise, it has always been my dream to expand overseas and become an international company. Now we have stores in Taiwan, Singapore, and Malaysia. This will continue. During times like these, many will perhaps hesitate to go into these markets. But we have decided to enter. It's a very good chance for us; rentals are cheap, and salaries have also become cheaper.

So the downturn is, in fact, a golden opportunity for us to speed up the process of expanding internationally. When the regional economy recovers, which I foresee will happen in a couple of years, Sa Sa can be the leading cosmetics retailer in Southeast Asia.

It's not that the economic crisis has not had an impact on us. Our tourism-based sales have dropped, as the number of tourists to Hong Kong have declined. To compensate for the loss of these customers, we have concentrated on non-tourist areas.

In a downturn, we should always concentrate on the good side rather than on the bad. For example, now we can get bigger stores at lower rent, because rental fees have dropped substantially. And we can get good quality shops in this cycle of the economy.

I learned the importance of turning challenges into opportunities the hard way. In 1989, our shop was located in a good mall. I was satisfied with the situation, sales were very good. One day the landlord approached us and said he would increase the rent from HK \$ 11,700 to HK \$45,000, and that we had to reply within three days. We thought he was not very serious, and we replied a week later. That's when we found out that the place was already rented out to another tenant.

We had lost our store, and we had 12 workers to take care of. We thought it was the end of the world.

But we said to ourselves, whatever happened has happened. We looked for another place and found one on Lockhart Road that rented for HK \$120,000. When we moved, our turnover increased four times. We suddenly realized that the cosmetics market was a much bigger market than we opened two stores.

You have to look at things in a positive light. That's always been my outlook — always trying to turn something bad into an opportunity. That way, we can respond quickly to changing market conditions and take advantage of current circumstances—while maintaining a course that has served us well for over 20 years.

**The cornerstone: knowing what the customer needs and getting it**

Through the years, we have also maintained our unique brand of discount cosmetic store. That is why Sa Sa has historically proven to be recession-proof. When people are conscious about spending their money, they don't think twice about shopping at our stores. People know that at Sa Sa, they can get good value for their money.

But in the coming years, selling price will not be as crucial. Customer service will be even more important. This depends on several factors.

The first is day-to-day contact with customers. When my wife Eleanor and I were growing the company, I spent a lot of time with customers. That exposure gave me the essential management skill—knowing what customers want.

The second part is knowing market trends. The cosmetics industry, like fashion, changes every moment, and you have to keep up. I constantly read up on fashion and travel to the important shows.

Some aspects also depend on gut feel, like how a women

would like a particular scent. Again, a large part of that is based on experience. Even intuition needs to be based on hard work.

Today when customers come to the shop they expect our prices to be lower than in other stores. In the future I hope their first comment is that Sa Sa provides customers with good service. This ties in with our theme of good value for money, so it's still consistent with our mission.

We have a slogan in the company, our "three-win situation": providing good service, good prices, and a good variety of products.

What helps to ensure these is our global purchasing strategy. To serve our greater sales volume, our warehouse has grown from 5,000 square feet to 30,000. The variety has also changed, as customers in different countries have different needs and preferences. So now our purchasing team has to source a greater variety of perfumes to serve Singapore better.

But the basic strategy remains the same: knowing customer needs, and maintaining good relations with our suppliers.

**Investing in people and leadership**

To support our expansion, I consider training to be an essential investment. Every Sa Sa beauty consultant gets three to six months of intensive training. Our manager go through an 18-month management training programme. This provides a thorough understanding of the operations of the different departments, and aims to incorporate employees into the Group's management framework within five years.

My own primary role as chief executive is to develop the company. Five years ago, we only had 10 stores. Now we are approaching 20 stores. Keeping up this tremendous pace has been my task for the past five years.

It all goes back to having a vision and sticking to it, I believe vision is the most important characteristic of a leader.

My goal is to open more than 200 stores in 5 different countries in Asia. I also foresee that the cosmetics industry will not be largely confined to the ladies' market. The men's market will be a big market in the next few years.

I believe that Sa Sa in on course to become a dominant regional cosmetics retailer. And in the long run, our approach will always be to implement our business strategies in the same consistent way.

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