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Tofail for quality RMG output to face free trade regime

Businessmen seek strong policy support to set up backward linkage industries

Commerce and Industries Minister Tofail Ahmed has said the country's garment sector will never grow if it continues to depend on the preferential treatments for export, reports UNB.

"We must depend on high-quality production," he told a seminar on "Consequence of the GATT Uruguay Round for the Textile & Garments Sector in Bangladesh" at a city hotel yesterday.

Dhaka Chamber of Commerce and Industry and German Technical Cooperation (GTZ) jointly organised the seminar.

Bangladesh will have to develop backward linkage industries for RMG sector to retain its market after elimination of preferential access to world market in 2005, he said.

The free trade regime after the year 2005 will be an opportunity as well as a challenge for Bangladesh ready-made garments (RMG) sector, the Minister said calling to turn the challenge into an opportunity.

The government has prioritised establishment of backward linkage industries, restoring political and macro-economic stability and bringing back discipline in banking sector to help textile and garment manufacturers for deriving benefit from GATT, Tofail added.

Business people in the seminar signalled an unstable future of the country's garment export trade beyond 2005 when quota or preferential access to market will be removed.

They pleaded for a strong policy support from the government to develop backward linkage industries to feed RMG sector and help it survive harsh competition of the free trade regime.

The government must provide an investment-friendly climate, political stability and better law and order situation to invite more local and foreign investments in back-ward linkage industries, they felt.

German Ambassador Uwe W Schramm said stable political climate and social stability are two major conditions for expansion of bilateral and international trade.

He said Bangladesh will face an enormous challenge from the changes in trade era.

"Success comes from quality, specialisation and efficiency," he said hoping that Bangladesh's private business people will be able to cope with the change.

The German envoy said they (private business people) have already started streamlining their production to ensure higher quality.

DCCI president R Maksud Khan said the RMG's success mainly depends on the guaranteed market access to USA and duty free entry into EU under the GSP (Generalised System of Preference).

So with the phasing out of Multi-fibre Arrangement (MFA), that gives preferential treatment to LDCs like Bangladesh, on January 1, 2005, Bangladesh's RMG will loose its guaranteed market access, he pointed out.

Rapid growth of high quality local fabrics and dyeing-printing industries are pre-requisites for the very survival of the RMG in the free trade world, the business leader felt.

He said the RMG manufacturers, the government and all concerned must work collectively to properly utilise the remaining transitional period for establishing backward linkage industries.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President Mostafa Golam Quddus said the LDCs will never be benefited from post-2005 free market regime if they are not given special consideration.

"LDCs will awfully loose their market," Quddus feared. He urged the developed countries to see whether they can consider to extend preferential tariffs treatment for at least 10 more years after 2005.

The BGMEA president felt backward linkage industry is a must for the survival of RMG and invited foreign investment in the sector.

Industries and Commerce Minister Tofael Ahmed, addresses a seminar on "The consequences of the GATT Uruguay Round for the textile & garments sector in Bangladesh" at a local hotel yesterday. — DCCI photo

ROK president sees economic recovery in '99

SEOUL, Sept 28: South Korea's president predicted Monday that his country's contracting economy will resume growth in the latter part of next year, says AP.

In a news conference devoted solely to economic matters, Kim Dae-jung said tax cuts and other pump-priming measures will help resuscitated the domestic economy.

"In a word, there will be no second financial crisis," Kim said.

Citing shrinking domestic consumption and exports, the engine of the country's economy, some analysis have warned that South Korea may headed for a new financial crisis.

But Kim said the government, backed by a record foreign currency reserve of dlrs 44 billion dollars, will easily be able to repay nine billion dollars in external debt coming due this year and 36 billion dollars due next year.

Despite many uneasy international factors as shown in Japan, Russia, Southeast Asia and South America, the value of our currency has been stable and I believe the trend will continue," Kim said.

Interbank trade

Taka weaker on higher dollar demand

The Bangladesh taka was weaker against the dollar in the interbank trade yesterday due to higher demand for the greenback for foodgrains import, foreign bank dealers said her yesterday, reports BSS.

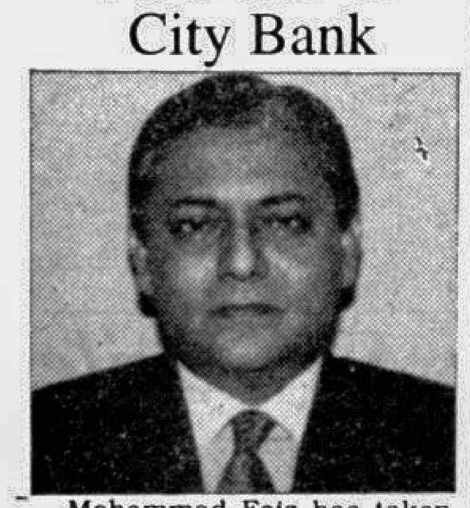
The taka was quoted at 47.24/47.25 per dollar yesterday against the previous day's close at 47.23/47.25.

The dollar was in short supply as some state-owned banks with substantial reserves were reluctant to sell and wanted to keep if for opening letters of credit (LC).

The Dealers said the interbank call money rates rose sharply yesterday from 8.5 to 11 per cent against the previous day's level of 6.0 to 6.5 per cent. They further said the pressure in the money market was due to Sunday's auction of treasury bills worth Taka 581 crore.

The central bank paid Taka 340 crore for 28 days, Taka 30 crore for 91 days, Taka 13 crore for 364 days and 198 crore for two years as treasury bill payments, the dealers said.

New MD of City Bank



Mohammad Faiz has taken over as Managing Director of The City Bank Limited. Earlier, he was the additional Managing Director of the bank, says a press release.

Mohammad Faiz started his banking career as a Probationer Officer with the than Habib Bank Limited in 1967. He participated in various training courses and seminars in different countries including United state and United Kingdom.

He was awarded Moulana Akram Khan and Atis Dipankar Gold medals for his contribution to the banking sector.

He is involved in different voluntary social services and educational institutions. He is the founder member of Bangladesh Literary Association.

BB T-Bill auction held

The 4th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held in Dhaka Sunday, reports UNB.

Sixty bids of Tk 566 crore, six bids to Tk 35 crore, two bids of Tk 10 crore, 17 bids of Tk 41 crore, 23 bids of Tk 221 crore and three bids of Tk 5 crore were offered for the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year bills respectively.

Of these 20 bids of Tk 340 crore for 28-day bill, 5 bids of Tk 30 crore for 91-day bill, 5 bids of Tk 13 crore for 364-day bill and 11 bids of Tk 198 crore for 2-year bill were accepted while bids offered for the 182-day and 5-year bills were not accepted. The weighted average prices against the 28-day, 91-day, 364-day and 2-year bills were Tk 99.35, Tk 97.78, Tk 90.30 and Tk 80.71 per 100 Taka respectively.

The corresponding yields are 8.52 per cent, 9.10 per cent, 10.75 per cent and 11.95 per cent per annum, said a Bangladesh Bank press release.

Export earnings surpasses target by Tk 228 cr in July

By Govinda Shil

Bangladesh's merchandise export revenue in the first month of 1998-99 fiscal has surpassed its target of Tk 2175 crore by Tk 228 crore.

The revenue grew by 20.38 per cent in taka terms, and 11.44 per cent in dollar terms in comparison with the corresponding period of the previous fiscal, revealed an EPB statistics.

The government had projected a total revenue of US$ 483.33 million for the month of July while the actual figure stood at US$ 510.28 million.

Primary products like raw jute and tea could not hit their projected target of Tk 66.74 crore, and only fetched Tk 40.97 crore. Frozen foods exceeded the target of Tk 125 crore by Tk 26 crore.

Industrial products, which were expected to earn Tk 2048.85 crore, fetched an additional amount of Tk 138.85 crore. However, leather and jute-made products fell short of their projection by Tk 52 crore. For both these products, the government had set total target of Tk 196.26 crore while they fetched Tk 144.12 crore.

Meanwhile, the ready-made garments fetched Tk 1438 crore by exporting 7.04 million dozen pieces. Knitwear and hosiery products earned Tk 464 crore by exporting 3.42 million dozen units of wear. These two items earned an additional revenue of Tk 241.30 crore.

Two new items — shoe and ceramic products — fetched about Tk 15 crore and Tk 5 crore respectively.

AED workshop on right use of fertiliser in Sherpur

SHERPUR, Sept 28: The Agricultural Extension Department (AED) here has taken up an initiative to make familiarise the farmers of the district with proper use of fertiliser and thereby cut production costs, reports APB.

A workshop, held at the District Council auditorium here recently, put emphasis on using the newly-evolved granulated urea instead of the powdered one being used at present.

About 60 per cent of the manure gets wasted due to the traditional faulty system of its use experts told the workshop.

Moreover, the granulated form of urea was found to be suitable for the local soil as well as under-controlled irrigation management, they said.

Sources said that some 70 demonstration plots had been set up in the district to motivate farmers. A huge amount of money would be saved if this type of fertiliser gains their acceptance, they said.

A seminar on "Regional and Sub-regional Economic and Trade Co-operation in South Asia" was held at Bangladesh Bank conference room yesterday. The seminar was organised by BB Training Academy under the Executive Development programme. Professor Hafiz GA Siddiqi, Pro-Vice Chancellor of the North South University, Dhaka, was the speaker on the subject. Lutfar Rahman Sarkar, Governor, Bangladesh Bank, presided over the seminar. — BB photo

Delta Life Ins declares 35pc dividend

Star Business Report

Delta Life Insurance Company Limited declared a dividend of 35 per cent at its 12th annual general meeting (AGM) held at a city hotel Sunday, says a company press release issued yesterday.

Syed Mokarram Ali, Chairman of Delta Life Insurance Co. Ltd (DLIC), presided over the AGM.

M Mozammel Huq, acting managing director of the company was also present on the occasion.

The meeting adopted the Directors' report, Auditors' report and accounts of the company for the year 1997.

During the year 1997, the company earned a gross premium of Tk 88.63 crore, which represents an increase of 64 per cent over the year 1996.

Dr Sayed Mukarram Ali, Shamsun Nahar Begum Chowdhury, A Z Mohammed Hossain, Syed Mazzem Hossain, Dr Kabir Hossain Chowdhury, Md Syedul Islam and Shafat Ahmed Chaudhuri were re-elected sponsor directors.

Arif Ahmed, Md. Nurul Islam and Adeeba Rahman were elected share-holder directors through a secret ballot.

Dr. Sayed Mukarram Ali was unanimously re-elected Chairman of the company in a board meeting held immediately after the AGM on the same day.

LDP-Opposition accord on Japan's bank bill

TOKYO, Sept 28: Japan's ruling party and opposition reached what appeared to be a final agreement Monday on banking bills to clean up the financial system, clearing the way for their passage in Parliament, reports AP.

The governing Liberal Democratic Party and main opposition Democratic Party compromised on how much power to give a new independent body that will be charged with regulating the finance sector.

The opposition had been demanding that the body be given full authority to chart the course of the financial sector, but the LDP opposed that, saying it would take too much power away from the finance ministry.

Early Monday, after a weekend of intense negotiation, the two sides agreed that regulation of the finance sector would be shared by the independent body and the finance ministry.

The two sides also agreed that any bank purchasing an ailing bank that has been put under state control will be eligible for an injection of public funds.

"Compromises have been reached concerning all points of contention," Yuji Tsushima, an LDP legislator, was quoted as saying by Kyodo News.

The breakthrough raised hopes that the bank bills, aimed at cleaning up about 1 trillion dollars of bad debt in the financial system, would be approved during the current session of Parliament early next month.

Opposition and ruling parties said, however, that the session might have to be extended by a week after its scheduled end on Oct 7.

On Saturday, the two sides reached a compromise on one of their main points of contention — the fate of ailing Long-Term Credit Bank of Japan.

The ruling party acquiesced to opposition demands that the government acquire all of LTCB's shares, effectively nationalizing it. The government would then sell the bank back to the private sector after disposing of its bad assets.

The government has been trying to broker a merger deal between LTCB and Sumitomo Trust and Banking Co. Under this weekend's agreement, Sumitomo would be able buy LTCB shares from the government, and turn the bank into a subsidiary.

Last week, the LDP and opposition hammered out a basic accord on the banking bills which incorporated the key parts of the opposition's rival version of the legislation. But vague wording in the agreement caused the dispute over the bills to flare anew.

Primakov looks for a way out of Russian debt quagmire

MOSCOW, Sept 28: Premier Yevgeny Primakov huddled with top officials at the weekend to plot a course out of Russia's debt quagmire and limit the damage caused by the snap resignation of his finance supremo ahead of a key IMF-World Bank meeting, reports AFP.

At an emergency summit Saturday, Primakov discussed the latest crisis to rock Russia with his communist first Deputy Premier Yury Maslyukov, central bank chief Viktor Gerashchenko and Finance Minister Mikhail Zadornov.

Russia was thrown into fresh disarray Friday by the shock announcement by Deputy Premier Alexander Shokhin that he had quit in protest at the Kremlin's confirmation of the under fire Zadornov in his post.

The move was a triple blow for Primakov coming just hours after the former spy chief turned premier had all but wrapped up his Cabinet list more than two weeks after his September 11 confirmation as Cabinet chief.

The surprise resignation robbed him of his lead negotiator with foreign creditors outraged by the Russian government's August 17 default on billions of dollars of treasury bills before a key meeting Tuesday.

Shokhin had also been due head a government delegation to the annual meeting of IMF and World Bank chiefs in Washington to push Moscow's case for international aid to rescue its crippled finances.

International institutions insist that the state Duma (lower house of parliament) accept emergency anti-crisis laws but they have only had promises so far, wrote the business daily Kommersant on Saturday.

Under such conditions Shokhin's trip to Washington due September 28, for the IMF and World Bank session could have ended in a fiasco, the paper added.

Primakov had hoped the IMF would cut Russia some slack by releasing a frozen $4.3 billion loan tranche that could be used to clear huge wage and pension arrears without resorting to inflationary money printing.

But a visiting IMF team left Moscow on Friday with the tranche still on ice, and Fund Managing Director Michel Camdessus warned in Vienna the following day that Moscow must wait some time before loan payments resumed.

New director of Rupali Bank

Star Business Report

Nurul Alam Chowdhury, a former MP and freedom fighter, has been made Director of Rupali Bank.

He obtained master's degree in History from the University of Chittagong in 1969, according to a press release.

He was a member of Bangladesh Tea Industry Management Committee from 1973 to 1975 and Bangladesh Tea Board in 1975.

Nurul Alam Chowdhury is a life-long member of Bangladesh Family Planning Association.

Gold rains down on Tehran!

TEHRAN, Sept 28: Gold rained down on the streets of the capital after an explosion ripped through a jewelry shop in a southern suburb, an Iranian newspaper reported here, reports AFP.

Passers-by rapidly overcame their shock at the blast and "scrambled to pick up the pieces of gold that had been thrown onto the street." The Daily Iran said, citing witnesses.

The explosion was caused by a gas cylinder in the basement of the jeweler's shop which was used as a goldsmith's workshop. Two shopkeepers were injured in Saturday's blast.

Social Democratic victory pushes German shares up

BONN, Sept 28: The Frankfurt stock exchange was trading higher Monday contrary to expectations that a Social Democratic victory in Germany's national elections would drive the market down, reports AP.

The Xetra DAX electronic index was up 53.13 points at midday, or 1.2 per cent.

However, analysts said the market was reacting primarily to an agreement on banking reform in Japan, and not to the German elections.

M Mozammel Huq, acting Managing Director of Delta Life Insurance Company Ltd, speaks at the firm's 12th annual general meeting at a city hotel on Sunday. — Delta Life photo

Garbage threatens Thai tourism

BANGKOK, Sept 28: A popular tourist destination in northern Thailand is quickly losing its appeal as "The Rose of the North" with tons of garbage piling up in the city centre, reports AP.

More than 2,000 tons of garbage have stacked up at two different locations in the city of Chiang Mai, 580 kilometres (360 miles) north of Bangkok, over the past few weeks.

The government is worried that the foul smell will drive away tourists, who contribute significantly to the local economy, said Natheera Kajornesrilikitkul, director of the Tourist Authority of Thailand's northern region.

One group of Japanese tourists have already complained, reportedly sending a letter to authorities complaining about smelling "something strange" as soon as they stepped off the airplane last week.

But the garbage problem is a longstanding one, with local media reporting that it stems from political infighting between two factions in the city government.

The dispute led to the resignation of the mayor, Bussaba Yodbangtoey, Monday.

Natheera said the problem threatens the upcoming tourist season, which starts in mid-October and ends in March. She pointed to upcoming 13th Asian Games in Bangkok, during which spectators, especially foreign visitors, are expected to visit the city.

But Noun Sarasorn, the deputy director in her office, said the municipality should reach an agreement in the next few days.

More than three million people visited Chiang Mai last year, with more expected this season because of the Asian Games and an ongoing "Amazing Thailand" campaign to attract more visitors.

IMF grapples with burgeoning global financial malaise

WASHINGTON, Sept 28: IMF governors meet here next week to debate the uncertain future of global capitalism, currently suffering an unprecedented loss of confidence as economies flounder and millions sink deeper into poverty, reports AFP.

While top International Monetary Fund officials have gathered twice since the start of the Asian financial crisis in July 1997, they are now grappling with a burgeoning malaise that has spread to Russia and threatens Latin America.

East Asian storm clouds are also advancing on the United States, warns Federal Reserve Chairman Alan Greenspan, who has told the nation to brace for a pronounced slowdown in economic growth in the face of declining exports to Asia.

"The global capitalist system, which has been responsible for the remarkable prosperity of this country in the last decade, is coming apart at the seams," famed financier George Soros told the US Congress earlier this month.

The IMF and the United States had maintained that the unfettered flow of capital across national borders and in to free market institutions would ensure that money would be put to its most productive use.

Output would increase, employment would grow and living standards rise.

Until the middle of 1997 foreign banks did indeed four billions of dollars into Thailand, South Korea and Indonesia, fuelling their "miracle" economies.

But as Deputy US Treasury Secretary Lawrence Summers recalled last week, domestic "financial systems did not channel capital efficiently, were inadequately regulated and created an illusion of security that could not ultimately be supported."

When investors started calling in their loans, governments panicked and turned to the IMF for bailouts.

The fund has put together international rescue packages for Thailand, Indonesia and South Korea worth 121.2 billion dollars, to which the institution contributed 36 billion dollars of its own money.

While the reforms demanded in exchange for the assistance have borne some fruit — lower interest rates in South Korea and Thailand — US and IMF officials acknowledge that the turmoil in east Asia is far from over.

Worse, the Russian economy, struggling with a slump in worldwide demand for its oil brought on by the Asian crisis, began to crumble.

On August 17, just weeks after securing a 22.6 billion dollar IMF bailout, Russia froze payments on its internal debt, devalued the rouble and imposed a 90-day moratorium on private foreign debt owed by private banks.

"Washington's dream of a quick move to global financial liberalisation is in ruins," Harvard University economist Jeffrey Sachs wrote in a recent edition of the economist.

Almost all observers now concede that premature liberalisation of capital markets (often pushed by the IMF itself) was one of the causes of the current crisis."

Pilloried on charges that it failed to recognise the danger signals in East Asia, the IMF has lately come under renewed criticism for the way it faced the challenge.

In particular, the fund is faulted for its insistence on high interest rates as a means of protecting national currencies and curbing capital flight.

"Countries were told to raise interest rates, not cut them, in order to persuade some foreign investors to keep their money in place and thereby limit the exchange rate plunge," Massachusetts Institute of Technology Professor Paul Krugman wrote in the New Republic magazine.

In the US Congress, 18 billion dollars in additional funding for the IMF has been held up by critics who denounce the "secrecy" of IMF operations and charge that its rescue packages reward imprudent lenders.

"Yes, we have made mistakes," admitted IMF Managing Director Michel Camdessus in an interview with a German magazine last week, acknowledging that the fund failed to "take notice of information on short-term capital transactions soon enough."

"There is no guarantee the IMF will get in precisely right on every occasion," according to summers of the US Treasury.

But without it, he said, "the past year would have been much worse — with greater devaluations, more defaults, more contagion and greater trade dislocations."