US OPIC approves $287m projects in Bangladesh

By Vasantha Arora, India Abroad News Service

WASHINGTON, Sept 28: The US Overseas Private Investment Corporation (OPIC) has approved 287 million dollars in combined financing and political risk insurance to support American companies in Bangladesh.

In all it approved 1.6 billion dollars in financing and political risk insurance for a series of projects in emerging markets and developing nations in South Asia, Central America, the Caribbean, western Africa and the Caucasus.

In Bangladesh, the OPIC Board of Directors approved support for Houston, Texas-based El Paso Energy International Company's and New Jersey-based Ogden Energy Group, Inc.'s investment in a new oil and gas-fired power plant.

The projects in Bangladesh and other nations to be funded by OPIC are expected to generate about two billion dollars in exports and support for more than 4,600 jobs in the U.S. India and Pakistan are not entitled to OPIC support following their May nuclear tests.

OPIC President and CEO George Munoz said the projects approved were investments in the future of key regions around the globe. "The actions by our Board send a strong signal about OPIC's continued commitment to its foreign policy and economic development mission," he said. "As world economies seek solutions for long term stability, OPIC is mobilising US private sector investments that can help countries stay committed to democracy and free markets."

OPIC also supports US government efforts to stimulate economic development in Central America and the Caribbean. As part of this effort, the Board approved 250 million dollars in combined finance and insurance that will help establish a credit facility that will make loans to businesses in the region.

Citibank will operate a 200 million dollars credit facility that will be able to make loans to projects in more than 20 nations in the region representing both the area's larger and smaller market economies.

The facility will make medium and long-term financing more available to companies in the region, helping small and medium-sized businesses gain access to the kind of financing that will enable them to grow. Following Munoz's visit to Colombia earlier this year to announce the reopening of OPIC's programmes there, the Board approved support for a telecommunications project in the country. It approved 200 million dollars in political risk insurance for a trust involving Chase Manhattan Bank that will be used to expand operations of a wireless digital telecommunications network in the northern and eastern regions of the country.

Apart from being an investment in Colombia's infrastructure, the project also supports the U.S. economy by using about 180 million dollars in American goods and services.

Facilitating American investment into sub-Saharan Africa continues to be a focus for OPIC. While efforts are on to establish a series of new infrastructure funds for the region, the Board approved 200 million dollars in political risk insurance that will support a natural resources project in western Africa.

OPIC insurance will support financing being arranged by J.P. Morgan Securities, Ltd. for development of an oil field offshore of Angola in the Cabinda Province. American small businesses represent nearly half of the U.S. suppliers to that project which will use more than one billion dollars in American-made goods including electrical and drilling equipment, pipes, computers, and office supplies and furniture.

As Asia continues efforts to achieve economic recovery, OPIC is helping mobilise long-term American investment in the region. Earlier this year, Munoz announced the reopening of OPIC programmes in Vietnam and South Korea.

On a recent trip to Southeast Asia, Munoz reaffirmed OPIC's commitment to the region in meetings with American companies operating there and high-ranking government officials. "America has a strategic and economic interest in the recovery of Asia. OPIC is committed to keeping our services available for American businesses there, knowing that long-term foreign investment will be key in helping to restore stability," he said. "In meetings with government officials, I advocated in support of institutional and political reform that will be instrumental in attracting and maintaining this kind of long-term investment."

OPIC is a self-sustaining federal agency that sells investment services to U.S. businesses of all sizes investing in some 140 emerging markets and developing nations. Its political risk insurance, project finance and investment funds fill a commercial void, create a level playing field for U.S. businesses and support development in emerging economies. Since 1971, the OPIC has supported 112 billion dollars worth of investments that will generate 56 billion dollars in US exports and create more than 230,000 American jobs.

Japan economy many shrink further

TOKYO, Sept 28: Japan's economy could shrink further in the July-September quarter than in the preceding quarter, the chief economic planner warned here, reports AFP.

Taichi Sakaiya, State Minister and Director-General of the Economic Planning Agency, also forecast that gross domestic product (GDP) could contract by nearly 1.9 per cent in the fiscal year to next March.

Despite an official projection of 1.9 per cent growth in the full year Sakaiya, appointed two months ago, has consistently predicted that GDP might shrink by more than 1.5 per cent in the year.

"I think GDP's trend from July to September will be worse than in April-June," Sakaiya said in a panel discussions on Japan Broadcasting Corp.

"There has been not sign at all to indicate that it is improving," he said. "Therefore it is highly possible that GDP will be in the minus for four quarters in a row."

GDP shrank 0.8 per cent in April-June, or 3.3 per cent at an annualised rate, the economic planning agency announced earlier this moth. It is expected this week to release a revised GDP projection for the year.

Asked about the annual rate of GDP growth, Sakaiya cited private estimates of minus 1.9 per cent instead of plus 1.9 per cent. "It should not be so bad but it could be close to that," he said.

The leading business daily Nihon Keizai reported on Saturday that the agency was forecasting an economic contraction of 1.6-1.8 per cent in the year due to depressed consumer spending and falling capital investment.

Aramit declares 23 pc dividend

Star Business Report

Aramit Limited has declared a 23 per cent dividend for the year 1997, says a press release issued yesterday.

The company announced the dividend at its 27th annual general meeting held at Hotel Agrabad in Chittagong on Sunday with its Chairman, Sirajuddin Ahmed Chowdhury, presiding.

Saifuzzaman Chowdhury Javed, Managing Director, and Ibrahim Khalil, General Manager and Secretary of the Company, spoke on the occasion.

It was attended, among others, by Abul Khair Khan, Vice-Chairman, and S M Aftab Ali Khan, Md Abdur Rahman Khan, Nurul Islam Chowdhury, Moslemuddin Ahmed, Directors, and A K Chowdhury, auditor of the Company.

After evaluation and detailed discussion, the Audited Accounts and the Director's Report of the Company for the year 1997 was unanimously approved by the shareholders.

It was informed in the meeting that the overall quantity of sales and net operating profit of the company in this period exceeded those of the previous year.

Meanwhile, the installation of plant and machinery of the under-construction factory of Aramit Cement Ltd. is going on in full swing. The new company is likely to go for production next December.

Saifuzzaman Chowdhury Javed, Managing Director of the Company said that for materialising a full fledged Aramit family a new venture under the name and style of Aramit Steel Ltd. with a production capacity of 40,000 metric ton per year, and with an expenditure of Tk 24 crore would be started immediately after the installation works of the recently established Aramit Cement Factory is completed.

A contract with a Japanese company was already signed in this respect, he added.

27th AGM of Aramit Limited. — Aramit photo

China may prefer cautious reform to radical measures

SINGAPORE, Sept 28: China's communist leaders are likely to opt for cautious reform rather than more radical measures because stability is their top priority, according to the London-based Economist Intelligence Unit (EIU), reports AFP.

"The premier, Zhu Rongji, has repeatedly pledged that the process of industrial and financial reform, as well as a radical streamlining of the bureaucracy, will be substantially complete by 2000," a statement said.

"But the EIU does not think this is possible", it added.

The think-tank made two macroeconomic forecasts under a study called "China to 2010 — the pace of reform". Highlights were contained in a press statement today.

One scenario, under "rapid reform," predicts 7.7 per cent annual gross domestic product (GDP) growth from 1996-2000, and 7.4 per cent from 2001-2010, resulting in a per-capita GDP of 2,533 dollars by 2010.

The other scenario, under "cautious reform," sees 7.6 per cent annual GDP growth from 1996-2000 and 5.3 per cent from 2001-2010, producing GDP per capita of 1,535 dollars by the end of the period.

"Above all other goals is the maintenance of stability: political, social and economic," the statement said.

It added that the lessons of the Asian financial crisis, which has brought down governments and threatened social stability, "will reinforce a cautious bent" in China.

Businessmen warned not to circumvent forex control

AP report says: In a campaign to shore up the value of its currency, China's government has warned businesses not to circumvent foreign exchange controls, state media reported Monday.

The State Council, China's Cabinet, issued a recent directive, threatening businesses with loss of licenses and other unspecified punishment if they exploited legal loopholes, forged documents or turned to the black market to trade hard currency.

Government policies confining conversion of the Chinese yuan to international trade have largely protected it from the batterings many Asian currencies have taken over the past 15 months.

Despite the policies and repeated pledges by Chinese leaders not to devalue the yuan, however, back-door pressures on the currency are mounting.

The government's 140 billion dollars in foreign exchange reserves has stopped growing this year as exporters hold on to more of their hard currency earnings instead of remitting them to Beijing.

A black market exchange rate for the dollar that is 10 per cent above official rates suggests many Chinese fell less confidence about they yuan and government policies.

Analysts estimate as much as 13 billion dollars a year drifts in and out of China through holes in its foreign exchange regime.

Asahi, Tokai banks plan alliance

TOKYO, Sept 28: Japan's Asahi Bank Ltd and Tokai Bank Ltd, two medium-sized city banks, said Monday that they were working out the final details of a proposed alliance, says AP.

Spokesman for the banks, who requested anonymity, declined to give further details, but said a formal announcement on the line-up was expected later Monday.

The Nihon Keizai financial daily reported Monday that the banks had agreed on a comprehensive partnership that would include cross-shareholding, joint development of financial products and integration of redundant branches.

It said the banks may also eventually establish a joint holding company.

The expected alliance comes amid ongoing consolidation in the financial sector as Japan introduces its "big bang" deregulation reforms aimed at invigorating the economy by increasing competition.

Earlier this month, four Mitsubishi group financial institutions agreed to set up a securities company capitalised at about 200-300 billion yen (1.46-2.19 billion dollars).

In July, financial giants Sumitomo Bank and Daiwa Securities Co. agreed on a partnership in the investment banking business.

Reports of the partnership set shares of the banks sharply higher Monday morning on the Tokyo Stock Exchange. Asahi shares rose 1.6 per cent to 391 yen (2.86 dollar), while those of Tokai gained 2.1 per cent to 542 yen (3.96 dollars).

Over 560 illegal foreign workers nabbed in UAE

DUBAI, Sept 28: More than 560 illegal foreign workers were arrested in the United Arab Emirates (UAE) in August, immigration chief Brigadier Hader Khalaf Al-Muhairi said in remarks published Sunday, reports AFP.

Muhairi, quoted in the Khaleej Times daily, said 523 foreigners had been rounded up in raids in the capital Abu Dhabi, 37 in Dubai and one in the northern Emirate of Umm Al Quwain.

In June, Muhairi said more than 4,000 illegal foreign workers have been arrested in the UAE since the end of 1996 — 2,282 foreigners in 1997 and another 1,786 between January and March 1998.

Most were arrested either for illegal entry or for overstaying their visas.

In 1996, more than 200,000 foreigners were evicted from the oil-rich Emirate during a four-month amnesty for illegal workers that allowed them to come forward without having to pay a penalty.

Most of them were from India, Pakistan, Bangladesh, Iran, Sri Lanka, Afghanistan and the Philippines. The seven nationalities account for more than half the UAE's population of 2.4 million.

Foreigners account for as much as 85 per cent of the UAE's total population and more than 90 per cent of the workforce.

Amnesties last year in Bahrain saw about 40,000 illegal immigrants leave, while about 400,000 left Saudi Arabia during a three-month amnesty which ended last October.

A nine-month amnesty in Qater which ended in August saw just under 15,000 illegal immigrants legalise their stay or leave the country.

Workshop on forex management held in Chittagong

Standard Chartered Bank and Chittagong Chamber of Commerce and Industry (CCCI) jointly organised a workshop on "Foreign Exchange Management" for the corporate and bank executives in Chittagong at the conference room of CCCI yesterday.

Humayun Kabir, General Manager, Bangladesh Bank, Saifuzzaman Chowdhury, Senior Vice President, CCCI and Geoff Williams, Chief Executive Bangladesh, Standard Chartered Bank were present, says a press release.

During the working session of the workshop, Mamun Rashid, head of Treasury and Institutional Banking, Standard Chartered, in his presentation on "Evolution of Foreign Exchange Market in Bangladesh" tracked the development path and liberalisation of foreign exchange market in Bangladesh.

Alamgir Morshed, Manager, Treasury Marketing, Standard Chartered Bank, in his presentation on "Basics of Foreign Exchange" informed the participants of the elementary issues of foreign exchange and managing risk.

EPZ in developing world a boon to women

GENEVA, Sept 28: Special economic zones set up to attract foreign investors to developing countries have a created jobs for millions of women, but too often working conditions and wages are poor and local economies drive little benefits from the zones, a critical report said today, reports AFP.

In the report, the Geneva-based International Labour Organisation (ILO) and about 27 million workers, 90 per cent of them women, were employed in more than 850 so-called Export Procession Zones (EPZ) around the world — a trend which had been rapid development in recent decades.

These EPZs import materials from industrialised countries which are processed and re-exported. The zones were usually enclaves where factories specialised in a single type of product, textiles, garments, electronics for example, and had become a key features of the drive to globalise the economy, the ILO report said.

"While EPZs are undoubtedly huge employment generators, particularly for women in developing countries, too many of them continue to be hampered by a reputation for low wages, poor working conditions and underdeveloped labour-relations system," the 57-page report added.

Moreover, there was often no link between the EPZs and the economy of the rest of the country, said the ILO. Only a handful of governments had managed to impose transfers of technology and know how likely to benefit their own industries and local workers, the report said.

The highest number of EPZs was in North America — 320 zones in all — located along the US-Mexican border and representing five billion dollars in exports for Mexico, 30 per cent of its total, the report said.

One of the characteristics of many EPZs was that workers, both men and women, were given only low-paid jobs requiring little skill. As a result, they were regarded as easily replaceable and were neglected in social and professional relations, the ILO said.

Women were the main victims because they made up the vast majority of EPZ workers and suffered worse than the men from the long working days, pittance wages, the absence of such support structures and nurseries and day care centres and the often painful nature of the work itself, the report said.

The ILO said it was rare than even minimal social norms, trade union freedoms and the principle of collective negotiations were respected in these zones, even when governments claimed that national labour legislation applied also to the EPZs.

World Tourism Day was observed in a befitting manner at the Pan Pacific Sonargaon Hotel on Monday. Managing Director of Hotels Internationals Limited (HIL) Adiluzzaman and General Manager of the Hotel Eldridge J. Mac Ewan formally inaugurated the day-long programme in the morning. Secretary of HIL Ali Eskandar Ahmed and Steering Committee members of the hotel and Sramik-O-Karmachari Union President MMA Razzak were present on the occasion. — Sonargaon photo

Illicit forex sales

Licences of five Chinese banks suspended

BEIJING, Sept 28: China's foreign exchange watchdog has suspended the forex licences of five banks caught in illicit sales in its latest efforts to control capital flight, the China Daily reported yesterday, says AFP.

The five banks, all in southern Guangdong province, were discovered conducting a range of illicit forex activities from concealing sales to selling to unauthorised domestic companies.

The Guangdong branch of the State Administration of Foreign Exchange (SAFE) has suspended their rights to sell foreign exchange for up to a year, the newspaper said.

The five were the Zengcheng sub-branch of the Guangdong Development Bank, Jiangmen branch of the China Construction Bank, Nanhai sub-branch of the Industrial and Commercial Bank of China, Jiangmen branch of the China Agricultural Bank and Zhuhai branch of the Bank of China.

China announced on September 15 that it had intensified a crackdown on illegal foreign exchange dealings in an attempt to stop this exodus and avert a repeat of the crises in Southeast Asia and Russia.

Persistent rumours that China may be forced to devalue the yuan have prompted many mainland trade firms and individuals to scramble for US dollars.

In addition, many trading firms are apparently hoarding their hard currency in overseas accounts and even using forged documents to buy foreign exchange.

Saudi firm wins Kazakh pipeline network contract

RIYADH, Sept 28: Saudi-based Alswuwaiket Group has been awarded a contract to modernise and extend Kazakhastan's oil pipeline network, al-Sharq Al-Awsat said yesterday, reports AFP.

The agreement, which was signed Friday, makes Alswuwaiket official contacted at the group's Dammam headquarters, in the east of the Kingdom, confirmed the information but would not comment on the contract's value or the pipelines' output.

Between 13 and 15 billion tonnes of oil are estimated to lie beneath the Caspian, the world's largest inland sea, which is bordered by Azerbaijan, Iran, Russia and Turkmenistan as well as Kazakhstan.

"Regional countries are still vying to provide the pipelines which will deliver the oil to markets in the west — Washington has campaigned strenuously to prevent the oil passing through Iran.

Iranian parliament passes bill to create private bank

TEHRAN, Sept 28: The Iranian parliament passed a law yesterday authorising the creation of a private bank for the first time since the 1979 Islamic Revolution, says AFP.

Iran's Cooperatives Ministry had requested authorisation for a "cooperative bank," which will be launched with private investment and will not be subject to the same regulations as state banks.

The parliament is expected to work out the details of the regulations for the private bank.

Iran already has a half a dozen banks, all of which were nationalised after the revolution.

Speaking to the assembly, Cooperatives Minister Morteza Haji defended the idea of setting up the cooperative bank saying it could better absorb private capitals and activate the cooperative sector in Iran.

New hopes for airline's reopening

PAL management, union reach accord on rehabilitation plan

MANILA, Sept 28: Philippine Airlines' management and largest union reached a breakthrough agreement on a management-proposed rehabilitation plan on Monday, five days after the airline's closure, a labour leader said, says AP.

The agreement could lead to the airline's reopening if it is approved by union members, regulators and PAL's creditors, officials said.

Alex Barrientos, president of the ground crew union, said details of the agreement would not be released until it was explained later Monday to the union's members.

Opposition within the union to the agreement is likely to be high. More than a thousand workers protested at the union's office on Monday because of reports their leaders had accepted a 10-year suspension on their collective bargaining agreement.

Barrientos called Monday's agreement PAL's "last, last, last possible hope" and said workers would vote on it in a union-conducted referendum.

"If this fails, it's closed," he said of the airline.

President Joseph Estrada, meanwhile, flew to the central Philippines aboard the first domestic flight by Hong Kong's Cathay Pacific Airways, which he enlisted to help fill the vacuum left by PAL's closure last Wednesday.

PAL, Asia's oldest airline, shut down after the ground crew union earlier rejected the management plan, which would give workers 20 per cent of the company's stock in exchange for a 10-year suspension of their collective bargaining agreement.

The union has been split over the proposal, with its radical wing saying a 10-year suspension would violate workers' rights and destroy the union. Workers voted in an earlier referendum last Tuesday to reject it.

PAL, which owes creditors 2.1 billion dollars, has been badly hurt by strikes and Asia's currency crisis. It says creditors and potential new investors have insisted on the suspension before they will accept a restructuring of the company's finances.

Hong Kong-based Cathay Pacific agreed in talks at Estrada's house Sunday to begin the Philippine domestic flights.

As a first step, who Cathay Pacific planes and crews will be leased to PNB Holdings, a unit of Philippine National Bank, which is partially owned by the government.

The flights will nominally be operated by PNB Holdings since Philippine law prohibits foreign carriers from servicing domestic routes.

"We are doing it at cost," said Cathay Pacific chief executive officer David Turnbull. "This is being done at very short notice, and it's a temporary arrangement."

Turnbull said Cathay Pacific is also interested in buying a stake in PAL if it is put up for sale.

"We do have some interest in PAL in the long run," he said.

Executive Secretary Ronaldo Zamora said up to six Cathay Pacific Planes may be leased with accompanying crews.

At least three smaller Philippine domestic carriers have also said they plan to expand their operations in response to PAL's closure, and air force planes are helping carry vital cargo, including mail, medicine and newspapers, officials said.

A committee formed by Manila's Securities and Exchange Commission is also studying whether there is a chance of reopening the carrier.

Estrada says the government is unable to take over PAL because there is no money in public coffers to underwrite daily losses of up to 45 million pesos (one million dollars) incurred by the airline.

Both PAL and Cathay Pacific have been hit hard by Asia's currency crisis, which has reduced passenger volume. PAL had launched a $4 billion modernisation and refleeting programme shortly before the crisis hit.

The Philippine flag carrier also was badly crippled by a 22-day pilots' strike in June.

Zimbabwe seen inching closer to economic 'apocalypse'

HARARE, Sept 28: Zimbabweans, already shocked by a disastrous plunge in the value of their currency, are bracing this week for a series of price rises which some commentators fear could spark violence, reports AFP.

"Popular reaction against the root cause of this crisis — extravagance, graft, corruption and general gross misgovernance — may well push the nation towards the apocalypse," warned the Independent Standard newspaper Sunday.

At least six people died in food riots in January when the price of the staple maize meal was increased by 21 per cent — and it reportedly is due to go up by some 20 per cent on Wednesday.

January's increase was scrapped on government orders during the riots, but the Cabinet has now agreed to demands for a price rise by millers, who say they are on the brink of collapse.

On top of this, Zimbabweans face increases in import duties of up to 100 per cent on everything from cars to fruit juices, a threatened fuel price rise of 50 per cent, hikes of around 40 per cent in the cost of basic items such as toiletries — plus increases in householder rates and service charges.

"The dramatic increases in the price of basic commodities to take effect this week, with more in a very long pipeline, may turn out to be the nation's last rites," the Standard commented.

Many of the price rises are blamed on the collapse of the Zimbabwe dollar, which has lost about half its value against foreign currencies this year — much of it in the last few weeks — while the increases in import duties are an attempt to curb this slide.

Another newspaper, The Independent, said Zimbabwe's economy was in "free fall" and warned that "social instability in the medium to long-term poses a threat to this country as long as the economy remains moribund."

The paper said the government must take most of the blame, pointing specifically to President Robert Mugabe's unbudgeted payment of billions of Zimbabwe dollars to war veterans last December, and "damaging and senseless rhetoric" on redistributing white-owned farms to blacks.

The paper also pointed to Zimbabwe's costly military intervention in the Democratic Republic of Congo in support of embattled President Laurent Kabila as a contributing factor in the Zimbabwe dollar's decline.

Japanese auto exports down 14.1 pc

TOKYO, Sept 28: Japan's auto exports fell 14.1 per cent last month compared to a year ago, with shipments falling to the United States, Asia and Europe, the Japan Automobile Manufacturers Association said Monday, reports AP.

Vehicle exports for last month totalled 316,318, marking the fourth straight month of declines, it said.

Exports of cars, trucks and buses to the United States fell by 7.8 per cent last month, compared to the same month last year, to 84,465 vehicles, while those to Asia were down 62.2 per cent to 19,000.

"The biggest reason was Asia as expected," said association spokesman Hiroki Mochida.

Exports were likely to continue to decline for the rest of the year with the Asian crisis going unabated, he said.

Exports to Europe totalled 67,772 vehicles last month, down 10.8 per cent, the association said.

By automaker, Toyota Motor Corp suffered a 25.0 per cent fall in exports last month, compared to the same month last year, to 88,952 vehicles. Honda Motor Co. recorded a 35.6 per cent decline in exports to 32,682 vehicles.

Exports of passenger cars dropped 12.9 per cent to 251,829. Truck exports tumbled 18.3 per cent to 61,083.