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# The Daily Star BUSINESS

DHAKA, TUESDAY, OCTOBER 13, 1998

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## Financial crisis outside Asia may worsen next yr

MELBOURNE, Oct 12: The full effect of the Asian crisis on capital flows, risk margins and commodities had not yet been felt and problems for non-Asian countries could worsen during the next year, forecaster access economics warned Monday, reports AP.

Access director Ed Shann said in a speech to the 45th World Food Production Conference that industrial countries outside Japan had so far been remarkably immune to the Asian financial turmoil.

He said the cause of downward revisions to world output was mainly the collapse in Japanese and Asian forecasts, not slower growth elsewhere in the world.

This to date has been an Asian recession and for most industrial countries the fallout has been remarkably limited outside a few commodity producers," Dr. Shann said.

But the slowdown in world output and the resulting falls in commodity prices were now putting pressure on commodity producers.

We have therefore not yet seen the full fallout of Asia on capital flows and risk margins and on commodity prices and commodity producers," Shann said.

The Asian recession to date has been cushioned by continued strong growth in Europe and the US.

However, the flight of capital to safe havens and falling commodity prices are starting to spread problems to other non-Asian countries, mainly developing nations to date. Those problems may get worse over the next year.

## Discussion on EMU held

### Star Business Report

A lecture session on "Economic and Monetary Union 1999: Its Background and Impact" was held in the city on Sunday.

It was organised jointly by the Institute of Cost and Management Accountants of Bangladesh and Citibank NA Dhaka.

Md Abdul Aziz FCMA, Vice-President of the Institute, presided over the session.

Munir Chowdhury, Treasurer of Citibank NA Bangladesh, presented the paper implicating the emergency of the new EMU.

A large number of members of the institute attended the session.

M Abul Kalam Mazumdar FCMA, Chairman of the Seminar and Conference Committee of the institute, addressed the session.

The speakers emphasised the need and its practical implications on the present global economy.

## Asian currencies higher against dollar

SINGAPORE, Oct 12: Most Asian currencies traded higher today against the US dollar on the back of the rising yen, dealers said, reports AFP.

The yen was up at 115.88 against the greenback from Friday's close here of 118.25 and New York's weekend close of 116.60.

The yen is going up because of lingering fears of long US dollar liquidation fears with the US safe have status under threat a dealer with a European financial house said.

Other fears are President Bill Clinton's possible impeachment over the Monica Lewinsky sex scandal and warnings of a slowing US economy that could unleash havoc on Asian economies relying on exports to recover from a sharp downturn.

The Singapore dollar rose to 1.6330 against the US dollar from Friday's close of 1.6485, the Thai baht to 38.32 from 38.50, the Indonesian rupiah to 3,988 from 9,050 and the Philippine peso to 43.03 from 43.25.

The Taiwan dollar was around the same at 32.358 to the dollar from 32.850 while the South Korean won up at 1.315 from 1.333.

## Japanese economy may contract again

TOKYO, Oct 12: Japan's economic planning chief said Sunday the country's economy may contract for the third consecutive year in the year to March 2000, reports AP.

Taichi Sakaiya, head of the Economic Planning Agency said on television that there was "a considerably strong concern" that Japan's gross domestic product (GDP) would contract again in the next fiscal year.

Japan, the world's second largest economy, saw a 0.7 per cent contraction in its GDP in the year to last March.

The Economic Planning Agency last week slashed its growth forecast for the year to next March to minus 1.8 per cent from the initial projection of 1.9 per cent expansion as the country battles its worst post-war recession.

# Govt bid to hand over textile mills to workers yet to make headway

Government's initiative to hand over nine public sector textile mills to the ownership of workers is still to bear any fruit, reports UNB.

The Privatisation Board had identified the nine textile mills for handing them over to the workers, but could not make further headway, competent sources said.

A high-powered committee was formed about six months back with the Privatisation Board chairman as convener to set the modalities of ownership transfers to the workers' cooperatives of the respective mills.

The committee also included secretaries of the ministries of Textile and Industries, and a senior official of the Bangladesh Bank.

Later, reconstituted with the

state minister for textiles as its head, the committee held several meetings but was learnt to have proceeded little in framing the guidelines.

The committee's recommendations are being awaited by the Privatisation Board before taking further action, said an official of the Board.

The government finds it difficult to hand over the mills to the workers mainly because of the latter's rigid stand on many vital issues, he said.

The nine public sector mills listed for transfer to the workers are: Meghna Textiles of Gazipur, Monnu Textiles, Fine Cotton Mills and Olympia Textile Mills at Tongi, Laxminarayana Cotton Mills of Narayanjanj, National Cotton

Mills, Pylon Industries Limited and Karlin Silk Mills at Fouzdarhat, Chittagong, and Dhaka Cotton Mills at Postagola, Dhaka.

All the nine mills were closed down in December 97 and heavy machinery of these factories were either out of order or getting rusty, said an official of Bangladesh Textile Mills Corporation (BTMC) that looks after some 35 state-owned textile mills.

He hinted that some legal constraints had been delaying the work of the high-powered committee.

As all the nine mills were highly-losing concerns and considered to be non-viable, the workers will not easily agree to buy these units shouldering huge liabilities, the BTMC official said.



M Aminuzzaman, Managing Director of Uttara Bank Limited, presides over the conference of all regional heads and branch managers of Dhaka and Narayanjanj Zones of the bank in the Head Office Saturday. The conference, attended by executives of the Head Office, Regional heads and branch managers, discussed the bank's performance up to August 1998 including deposit, advance, foreign exchange and remittance. — Uttara Bank photo

# Japan's upper house okays bills to clean up bad debt problems

TOKYO, Oct 12: Japan's upper house of Parliament on Monday voted into law a plan to use taxpayer money to clean up the nation's massive bad debt problem and deal with failed banks, reports AP.

The package, which was passed by the more powerful lower house on Oct. 2, marks a major step in Japan's battle against its deepest recession since the end of World War II.

With Japan under pressure to turn around its economy and help Asian neighbours, the bills also are a major victory for Prime Minister Keizo Obuchi

and end a fierce dispute between his ruling party and the opposition.

The so-called financial stabilisation plan creates a special committee to oversee the clean up of the nearly \$1 trillion in bad debts weighing on the nation's financial system.

Also set up would be an organisation similar to the US Resolution Trust Corp. created during the 1980s US savings and loan crisis to buy bad debt from banks.

With new loans hard to get, business has been suffering, especially small and medium-size

companies. Unemployment is at a record high, bankruptcies are soaring and consumer spending is falling.

Growth shows no sign of coming back soon. The Economic Planning Agency announced last week that the economy would shrink by 1.8 per cent this year, and the head of the agency said on Sunday that it could shrink next year as well.

The legislation passed Monday does not specify the amount of money to be used. The ruling Liberal Democratic Party originally proposed using 10 trillion yen (\$86 billion), but reportedly agreed with opposition parties over the weekend to increase that to 50 trillion yen (\$435 billion).

The new committee has the authority to pursue three courses of action when dealing with a failed bank: to nationalise the bank temporarily through the government's purchase of its shares; to order the liquidation of the institution; or to transfer the bank's operations to a public bridge bank.

It was unclear, however, what standards would be used to decide which banks would fall under each method.

Despite the clearing of the latest hurdle, the complicated implementation of the plan was expected to be the center of another protracted struggle between the LDP and the opposition.

"It is one thing to pass a package of measures... and it is quite another to make sure they are workable," LDP lower house member Nobuteru Ishihara was quoted as saying in the Asahi newspaper Monday.



Sheikh Mohi Uddin, Chairman of Tajarat Group, inaugurates a showroom, Fantasy World, on Mirpur Road, Kalabagan, in the city recently.

## Germany pledges Tk 15.70 cr food aid for flood-hit

The German government has pledged approximately Tk 15.70 crore food assistance for the flood victims of Bangladesh, reports APB.

The decision to assist the country with additional food aid was taken by the German government shortly after the findings of a World Food Programme (WFP) assessment team on flood damages were made available, said a German Embassy press release in Dhaka yesterday.

The commitment comes on top of a Tk 8.48 crore food aid which has already been extended by Germany for the flood-stricken people in Bangladesh, it said.

Other substantial German aid has already been provided to help alleviate the sufferings of the people and for reconstruction of the country, it added.

Further assistance is under consideration, the release said.

## Woman held while selling fake million-dollar bill in Lanka

COLOMBO, Oct 12: A woman peddling a fake million-dollar bill has landed in jail in Sri Lanka, police said Monday, says AP.

Police have sought the opinion of the attorney-general and the central bank before charging 37-year-old Fareena Jabbar. A police detective posing as a wealthy businessman arrested her in a suburb of the Sri Lankan capital on Friday.

The United States government doesn't print notes of such a high denomination "I certainly looks like a real one, but we haven't heard of million dollar bills before," said police Inspector Rohan Rupasinghe. Jabbar offered the counterfeit bill for 45 million rupees (690,000 dollars). A magistrate sent her to jail for two weeks, giving police time to complete investigation against her.

The fake bill carried a picture of the Statue of Liberty. There also was a certificate of authenticity signed by officials of the "American Banknote Company" and the "International Association of Millionaires."

Similar fake dollar bills were recently seized by police in neighboring India, some with the image of President Clinton, others carrying pictures of Fort Knox, where the US government keeps its gold reserves, and the American eagle seal.

Jabbar told police that she got the bill from her millionaire American employer in Kuwait in 1980s.

# Cargo handling activities up Congestion eases at Chittagong Port

From Staff Correspondent

CHITTAGONG, Oct 12: Congestion of ships eased at Chittagong port with the increase of cargo handling activities, Port sources said.

As a result, ships which required to stay at the port for 15 to 20 days on an average due to congestion, now sail out after staying for 6 to 7 days only, Port sources said.

Concerned port officials claimed that volume of cargo handling at Chittagong port now increased by about 80 per cent as loading and unloading of export and import cargo were expedited with the deployment of army as well as round-the-clock operational works introduced to overcome the backlog situation caused by the recent flood.

Earlier, about 25,000 MT of cargo were handled per day on average at this premier port of the country, Port sources said.

As of today, there are 22 vessels staying at the port jetties and moorings while 26 others at the outer anchorage, Port sources said.

Authorities set up a foodcell at Chittagong port to ensure quick handling and delivery of foodgrains.

Earlier, Army and Navy personnel were deployed to supervise the discharge of foodgrains and other essential items.

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# BKB doubles agri loan quota for Comilla

COMILLA, Oct 12: Bangladesh Krishi Bank (BKB) has increased the quota of agricultural loan for the district from Tk 41 crore to Tk 80 crore in view of the overwhelming need among the farmers, reports APB.

The Managing Director of BKB Sohaib Ahmed announced this at a meeting on agricultural loan disbursement and awareness programme in Burching thana here Saturday.

Besides the BKB loan, other scheduled banks will also disburse Tk 20 crore as agricultural credit in the district.

Some NGOs, including BRAC, will also disburse Tk 25

crore. In all, Tk 125 crore will be disbursed in the sector across the district.

Speaking on the occasion, Law Minister Abdul Matin Khasru said a three-pronged action plan has been undertaken for proper disbursement of loans to the deserving farmers, monitoring and creating awareness among them for proper use and timely recovery of the loans.

The minister said union and thana agricultural loan disbursement committee comprising elected representatives, block supervisors and bankers will make priority list of deserving farmers for distribution of agri-credit.



A model shows a white bra under a short dark grey striped top that matches with the shorts during the presentation of France's Stephane Plassier 1999 spring/summer ready-to-wear collection, Sunday in Paris.

— AP/UNB photo

## IMF loan policy should be more flexible: US academic

MELBOURNE, Oct 12: The International Monetary Fund should re-examine its loans policy and adopt a more flexible approach which takes account of the diversity of the world's economies, US academic and former representative to the United Nations Jean Kirkpatrick said Monday, reports AP.

"I think it is clear that for some time the IMF has operated too much on a singular model for some very diverse societies and economies," Kirkpatrick said.

Kirkpatrick said the IMF, which operates on a centralist French model, must be encouraged to adapt its own rules rather than demand that societies adapt to its plans.

"And I think it is past time that there be more flexibility in the (organizational) side too, in order to provide maximum help and maximum flexibility of that help," she said.

Speaking at the 45th World Food Production Conference, Kirkpatrick said feeding the world was the most fundamental problem in the world today.

Despite food crises in parts of the world, governments had not failed in this task, "but on the other hand neither have we succeeded," she said.

She said countries experiencing food problems should not look to developed countries for a solution. She noted that many countries affected by famine in the past 20 years have had repressive governments or civil war which had disrupted agricultural production.

Developed countries could offer both food and their experience in areas like crop production, but the solutions to famine also required a political will within countries which could not be dictated by developed powers, Kirkpatrick said.

## Bankruptcy hits record in HK

HONG KONG, Oct 12: The number of firms going bust in recession-hit Hong Kong is running at a record-breaking rate, the Sunday Morning Post reported, says AFP.

It said official receiver figures showed 488 bankruptcy orders issued to the end of August compared with 639 for the whole of last year, while there were also 458 compulsory winding-up orders made against 503 in 1997.

The newspaper said bankruptcies were set to hit at least 730 this year with an average of 61 businesses failing a month, with winding-up orders set to reach 686.

It said these were the highest figures since 1989, the earliest date records are available.

## NZ liberalises immigration policy

WELLINGTON, Oct 12: New Zealand today unveiled a dramatically liberalised immigration policy aimed at attracting more people to the country to revitalise its economy, says AFP.

Immigration Minister Tuaraki Delamara announced an end to the English language bond previously required and a more generous points scheme under which potential migrants have their work experience, as well as academic qualifications recognised.

New immigration offices are to be opened in Shanghai and Moscow next year with a further office in Pretoria a year later, he said.

Nationals from Argentina, Brazil, Chile and Uruguay will be able to enter the country without a visa.

In a statement prime minister Jenny Shipley said New Zealand was one of the best countries in the world to live and bring up a family in.

"The national (party) minority government recognises that increasing the level of business expertise, investment and skilled workers in New Zealand will assist in creating economic growth and jobs for New Zealanders," Shipley said.

## China's trade surplus up by 15pc

BEIJING, Oct 12: China's trade surplus for the first three quarters of 1998 swelled 15 per cent from a year earlier to 35.3 billion dollars, as import growth slowed due to Asia's economic troubles, state-run television reported Monday, says AP.

The General Administration of Customs said China's exports rose 3.9 per cent on year to 134.13 billion dollars in the nine-month period. Imports inched up just 0.4 per cent to 98.82 billion dollars, according to the report.

China's January-September trade surplus was about 3.92 billion dollars more than the surplus reported for the first eight months of the year. The report blamed a deepening of the Asia financial crisis for sluggish trade.

# Oil revenue shrinking, Saudi problems growing

RIYADH, Oct 12: With King Fahd in failing health and the economy in a tailspin, Saudis are having to do some uncharacteristic soul searching about the future, reports AP.

There have been public calls — even from within the royal family for reforms such as creation of an elected parliament and clearer guidelines for succession to the throne.

Most people expect finally to see some evolution in a monarchy that has seen few changes since the al-Saud family came to power nearly 100 years ago, long before the discovery of oil transformed a poor country into one of the world's richest and tied it to the West.

"Saudi Arabia's certainly not on the poverty line," said Richard Murphy, a former US ambassador to the kingdom. "But it has pressures that some Saudis wonder if the government is prepared to deal with — not just now, but five or ten years down the line."

The kingdom faces shrinking oil revenues and a growing population, simmering restiveness among Islamic radicals who abhor Western influences

and complaints from businessmen who say Saudi Arabia must modernise to prosper.

Despite the world's largest oil reserves, Saudi Arabia is finding it increasingly difficult to maintain the cradle-to-grave services that its 20 million people have come to expect.

With the drop in world oil prices, this year's government deficit has ballooned to 50 billion riyals (\$ 13 billion), economists estimate. Development projects from power plants to petrochemical factories are being delayed.

The royal family — which dates its rule to the 1902 conquest of Riyadh by Abdul-Aziz bin Abdul-Rahman al-Saud — remains a unifying force. But the royals are a huge drain on the treasury: an estimated 7,000 princes and princesses draw monthly stipends and get first crack at lucrative business and land deals.

The biggest question facing the kingdom is whether it will be ruled in perpetuity by men in their 70s because of succession traditions that favour elder royals.

Fahd, believed to be at least

75, is the fourth son of Abdul-Aziz to rule. Amid repeated illnesses since a stroke in 1995, he has turned over the day-to-day running of the kingdom to his designated successor, crown Prince Abdullah, a half-brother who is a year or two younger.

In a rare public appearance earlier this year, Prince Talal, another royal brother, called for elections to the 90-member Consultative Council, which now is appointed by the king.

"The council must progress," he told an Arabic newspaper. "People must call for elections, for the council to look into the budget and see where the country's funds are going."

He also urged the kingdom to begin thinking about setting up a succession process to ensure an orderly transition to the next generation.

Omar Bagour, an economics professor at King Abdul-Aziz University in Jiddah, believes the younger royals should become more involved now.

"It's time for the next generation of princes to take a stand, because they have the capacity to deal with the problems of the

1990s," he said. "One of the cushions, if the system is going to land softly, is involving the (younger) princes."

Abdullah is widely respected for staying in close touch with Saudis through his weekly "majlis," which is a kind of town hall meeting, and his frequent trips around the country. The son of a Bedouin mother, he is said to have strong ties to tribal and religious leaders.

He is believed to be tighter fisted than Fahd, which could mean fewer US weapons purchases. He already has made his mark on foreign policy, opening diplomatic channels with Iran for the first time since the 1979 Islamic revolution that ousted the Iranian monarchy.

In his first major foreign tour, Abdullah just visited Saudi Arabia's main military allies — Britain, France and the United States — and is returning home via Japan and China.

In the United States, he made an unexpected overture to American oil companies, suggesting they look for ways to become involved for the first time in several decades in oil exploration and production in the

kingdom.

At home, many Saudis who want reforms worry Abdullah is being constrained by other members of the royal family from making significant changes in domestic policy.

Businessmen in the port city of Jiddah, for example, said they were heartened when Abdullah announced this summer that Saudi Arabia's shoreline, fast disappearing behind the walls of royal villas and private clubs, should be reserved for the public.

Less than 48 hours later, his office backed down, saying the policy would "except those with legal titles" for shore property.

"Read 'those' as princes and princesses," one Jiddah businessman said bitterly. Like most Saudis, he would discuss the royal family only on condition his name not be used.

It remains unclear how Abdullah will deal with a religious challenge that has largely gone underground since the government rounded up dozens of militant Muslims starting in 1994.

Saudi Arabia is viewed by outsiders as among the most religiously conservative countries

in the Muslim world — its women are covered head to toe in black, all activity stops five times a day for prayer — but home-grown Islamic purists still find fault.

The radicals accuse the royal family of being "secular and corrupt" and of desecrating the land where Islam's Prophet Mohammed was born by allowing American military bases on Saudi soil.

Muslim extremists have twice bombed US facilities in recent years. A car bomb linked to Saudi exile Osama bin Laden killed five Americans and two Indians in the capital, Riyadh, in November 1995. Seven months later, an explosion in the eastern city of Khobar killed 19 Americans.

Saad al-Faigh, a Saudi dissident who lives in exile in London, says Abdullah is more open than many royals to allowing freedom of speech and assembly because "he believes this could play a role in preventing violence."

"But we must wait and see if there are actual reforms," al-Faigh said.