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The Daily Star BUSINESS

DHAKA, SATURDAY, NOVEMBER 7, 1998

SANYO
Micro Computer Controlled Automatic Washlex Machine ASW-400NT
Price: Tk. 25,000

Dhaka Bank declares 20 pc bonus share

Dhaka Bank Limited announced a 20 per cent bonus share for its shareholders at the third annual general meeting held at a local hotel on Thursday.

At the meeting, Abdul Hai Sarker and ATM Hayatuzzaman Khan were re-elected Chairman and Vice Chairman of the bank respectively.

The Chairman disclosed that after one per cent general provisioning (Tk 15.20 million) for unclassified loans, the bank earned a profit of Tk 54.66 million in 1997, a rise of 175.50 per cent over the previous year. Deposit and advance stood at Tk 4045.67 million and Tk 1530.26 million, showing an increase of 41.62 and 167.60 per cent respectively.

The return on equity and return on capital of the bank for the year 1997 reached 41.26 and 49.68 per cent respectively.

Abdul Hai Sarker, Chairman of the Board of Directors of the bank, presided over the meeting.

Mirza Abbas Uddin Ahmed, Advisor, A T M Hayatuzzaman Khan, Vice Chairman, Ashfaq U Chowdhury, Managing Director and M. Mokhlesur Rahman, Deputy Managing Director also attended the AGM.

Bad weather may eat into Filipino rice output

MANILA, Nov 6: Philippine rice production is expected to fall 20 per cent this year because of bad weather, including a drought, typhoons and heavy rains, the agriculture department said Friday, reports AP.

Acting Agriculture Secretary William Dar said production of palay, or unhusked rice, is expected to total only 8.99 million tons in 1998, down from 11.27 million tons in 1997.

Production during the first half of the year was about 1 million tons lower than a year earlier because of a prolonged drought attributed to the El Nino weather phenomenon, Dar said in a report to President Joseph Estrada.

He said heavy damage to crops from recent typhoons and predicted heavy rains during the remainder of the year are also expected to also reduce production.

Dar said the Philippines imported 1.9 million tons of rice through the end of October, and an additional 350,000 tons is expected to begin arriving in December to help make up for the shortfall. Estrada has also authorized the importation of up to an additional 300,000 tons of rice, if needed.

The agriculture department said corn production is expected to total 3.9 million tons in 1998, 8.7 per cent less than last year, mainly because of a reduction in area harvested.

Fear of E-coli

5 lakh pounds of beef in 33 US states recalled

OMAHA, Nebraska, Nov 6: More than half a million pounds (225,000 kilos) of ground beef in 33 states have been recalled because the meat might contain a deadly strain of E-coli, says AP.

No illnesses have been reported by customers who ate the meat, said Gary Mickelson, a spokesman for the meatpacking giant IBP Inc.

IBP officials said Wednesday a sample of beef taken Oct. 22 from its Dakota City plant was tested by a distributor before being sent to a supermarket and found to be tainted with E-coli 0157:H7.

Complications associated with the 0157:H7 strain can lead to kidney failure, severe anemia, clotting problems and, in some cases, coma and death.

Although the US Department of Agriculture was still testing the meat, the company decided Wednesday afternoon to recall the meat "out of an abundance of caution," Mickelson said.

Financial crisis hits HK's top video chain

HONG KONG, Nov 6: The economic troubles in Hong Kong claimed a highly visible casualty Friday, as the territory's top video rental chain closed its doors after being placed in receivership, says AP.

Receivers from the accounting firm Ernst and Young said they would try to find someone to purchase KPS Retail Stores Ltd. and put it back into business.

"This would safeguard employment and maximise the value of the assets," said an Ernst and Young partner, Wilf Timso. The receivers planned to meet later Friday with many of the 430 people who work at the 38-store chain.

Dennis Smith, a director of CV Consumer Services Ltd, which owns KPS, said in a statement that the company's bankers called in the receivers on Thursday night.

Smith said sales and cash video rentals didn't grow over the summer as anticipated amid an economic slump that "has severely crippled many retail businesses."

SAPRI report on Bangladesh says

Key IMF macroeconomic targets remain unrealised

Star Business Report

A number of key macroeconomic targets, which the International Monetary Fund (IMF) had set for the country under its couple of three-year loan arrangements, remain unfulfilled.

IMF in its Enhanced Structural Adjustment Facility Policy Framework Paper in FY91, 92 and 93 also admitted that the macroeconomic objectives were not 'fully' realised.

For example, the real annual GDP growth averaged only three per cent as against the targeted growth rate of five per cent. Agricultural output stagnated and budget revenue fell much short of expectations.

These were revealed in a review of the structural adjustment policies in Bangladesh done by Dr Debapriya Bhattacharya and Rashed AM Titumir under Structural Adjust-

ment Participatory review Initiative (SAPRI).

The IMF introduced Structural Adjustment Facilities (SAF) for the first time in Bangladesh along with 34 other countries in FY87 for a period of three years to provide highly concessional but extremely conditional loans in support of structural adjustments.

This was later followed by another three-year arrangement under the Fund's Extended Structural Adjustment Facility (ESAF).

The last Policy Framework Paper for the government was prepared by the Fund and the World Bank on August 20, 1992, for fiscal years 1993, 1994 and 1995.

The slow growth during the SAF period was partly attributed by IMF to the disruption caused to economic activi-

ties by successive natural calamities in 1987 and 1988.

According to the Fund, the manufacturing sector's production became slow because of weak domestic demand. Domestic and national savings increased in the beginning year of the programme, but declined in relation to GDP in the two subsequent years, the SAP review by the two researchers say.

The ESAF's introduction later once again failed to hit targets and the IMF put the blame mainly on the Gulf crisis and the devastating cyclone of 1991.

For example, in the first year of the programme the actual GDP growth was 3.2 per cent as against targeted 4.6 per cent. The real inflation rate was 8.9 per cent against the projection of 7.5 per cent.

The second year of ESAF aimed at raising real GDP growth to 4.7 per cent, reduce inflation rate to 6.5 per cent, contain budget deficit to about 7 per cent of GDP and hold the external current account deficit to 6.5 per cent of GDP.

In reality, growth was 3.2 per cent. The review did not mention the other actual figures.

The IMF attributed the sombre growth rate to the sluggish domestic demand and production owing to delays in implementing public investment programme, their adverse impact on private investment and the uncertainty associated with external shock due to the Gulf crisis. The overall fiscal deficit declined mainly owing to the introduction of value added tax. The external payments position was significantly better because of surge in exports.

US trade policy uncertain after midterm polls

WASHINGTON, Nov 6: The outcome of midterm US elections, which left republicans with a diminished majority in Congress, heralds an uncertain future for national trade policy, analysts said yesterday, reports AFP.

"The next Congress will pass fast track in the next six months", predicted US Chamber of Commerce lobbyist William Moreley, referring to legislation that would expand president's trade negotiating authority.

Under the fast-track procedure, Congress can approve or disapprove — but not amend — foreign trade pacts worked out by the administration.

"We have strong republican support and I think a number of democrats will support it because after the elections, politics — democratic politics — will be out of the equation."

Democratic members of Congress have been under pressure to reject fast track by labour unions and ecology

groups, who fear it will allow the president to sign trade deals with countries that have neither labour nor environmental safeguards.

Unions in particular worry that US jobs will be transferred to low-wage, non-unionised countries at the expense of employment opportunities in the United States.

As a result, they have joined environmentalists in demanding that any fast-track authority given the president come with conditions to prevent agreements jeopardising US workers — a demand rejected by republicans.

But according to Moreley, "after the election they'll realise that for American jobs and for the economy to grow, we must absolutely have fast-track."

Fast-track advocates argue that the United States cannot compete in a global economy unless its industries are able to secure quick access to overseas markets.

US trade representative Charlene Barshefsky on Tuesday predicted that the Clinton administration would re-introduce fast-track legislation in the early part of next year.

But an analyst with the specialised publication inside trade, who asked not to be named, said the ideological divide on fast-track is so entrenched that the measure has little chance of getting through Congress before the election of a new Congress and a new president in 2000.

The House of Representatives in September 1997 defeated fast-track legislation by a vote of 243 to 180, voting for the measure were 151 republicans and 29 democrats.

In the first eight months of 1998 the shortfall in goods and services trade widened to 109.9 billion dollars from 72.5 billion dollars in the same period last year. For the full year the deficit could come to around 225 billion, compared with 135 billion in 1997.



Professor M A Sobhan of Bangladesh Computer Council speaks at a seminar on "Career options in information technology" held at the CIRDAP auditorium in the city yesterday. — Star photo

Angry mob loots vegetable market in Gaya

NEW DELHI, Nov 6: An angry mob looted a vegetable market in eastern India today after accusing traders of buying cheap produce and selling it at inflated prices, the police said, reports AFP.

Hundreds of people stripped the market clean in the town of Gaya and beat up several of the shopkeepers, the Press Trust of India (PTI) quoted the police as saying.

Some of the protestors said the traders bought vegetables from farmers cheap and sold them in the retail market at exorbitant prices.

Prices of staple vegetables have touched alarming levels across India in recent months, sparking widespread resentment against profiteers and the government.

German unemployment keeps on falling

FRANKFURT, Nov 6: German unemployment declined for the 10th month in a row in October, but economists were sceptical on Thursday about the positive trend continuing next year, reports AFP.

Jobless data published by the Federal Labour Office on Thursday showed a further decline in unemployment in October, with the number of people out of work in the whole of Germany falling to 3.891 million from 3.965 million.

Measured as a percentage of the working population, that was equivalent to a jobless rate of 10.1 per cent in October, compared with 10.3 per cent in September, the Labour Office said.

"That is the 10th consecutive drop and brings the total below the four-million level for the second month in a row," said HSBC trikausk economist Sarah Luetger.

Labour Office President Bernhard Jagoda told journalists at a news conference in Nuremberg that the improvement was mainly the result of "increased job-creation measures, particularly in eastern Germany, to structural improvements and to the economic upturn."

"In the whole of Germany, job-creation measures are helping more than they did a year ago", Jagoda said and "such measures were increased substantially between September and October."

BCI team meets law minister

A delegation from Bangladesh Chamber of Industries (BCI) comprising its directors and members headed by its President, Sharif Afzal Hossain, met Abdul Matin Khasru, Minister for Law, Justice and Parliamentary Affairs at his office on Thursday, reports BSS.

Matters relating to trade union, labour law, formulation of uniform labour code, industrial relation were discussed openly at length in the meeting.

In his speech Sharif, said that the investment climate in the country is seriously hampered due to labour politics in the name of trade union, unauthorised toll collection, bureaucracy, law and order.

Creation of national consensus and introduction of rule of law are, he added inevitable in order to save the country.

CBEP on investment opportunities in Bangladesh

Awareness-building is key to wooing foreign investors

Star Business Report

Why is foreign investment flow so low in Bangladesh even after exchange of several trade delegations in recent times? What actually does it need to attract foreign investors?

"You may send scores of delegations abroad, but the end result will be negative," says Nazmul Hossain, Co-chairman of the recently-founded Canada Bangladesh Economic Partnership (CBEP). "Unless awareness is created among foreign investors about the investment potential in Bangladesh, funds won't come."

Hossain was talking to the Daily Star about the objectives of CBEP and the potentials of Canadian investment in Bangladesh. In his opinion, CBEP is working to create that coveted awareness to supplement government's activities.

In a recent report, the Export Development Corporation of Canada (EDCO) categorised Bangladesh, Sri Lanka and Vietnam as emerging markets where early entry would yield long-term results. According to EDC, Bangladesh is undoubtedly a promising Asian market and holds considerable potentials for economic prosperity.

"The two-way trade between Bangladesh and Canada could reach Canadian \$200 million in 1998," says Hossain. "This represents a significant increase since the 1970s and '80s when the relationship between the two countries was directed by foreign aid. A transition is rapidly taking place from aid to multifaceted trade relationship

as private investment and enterprise share in the development."

CBEP was formally established at the last Commonwealth conference held in Edinburgh in 1997. The principal objective of CBEP is to pursue facilitation of bilateral business and investment growths between Canada and Bangladesh.

The prime objective of the partnership is to create awareness among Canadian investors about the vast investment possibilities in Bangladesh. "The Canadians are interested in infrastructure investment. For Bangladesh entrepreneurs, there is still an untapped market for leather goods, and non-traditional items," said Hossain.

The Partnership is planning a number of activities to boost trade and investment between the two countries.

These include holding of seminars in both the countries, exchanging business delegations, signing twinning agreements with all business chambers of the countries, setting up permanent trade centres, and holding fairs on specific products.

CBEP has already held a seminar in Montreal in 1998 on investment opportunities in Bangladesh.

"The response was good. A number of leading companies took part in the seminar and showed their interest to invest in Bangladesh," said Hossain.



Nazmul Hossain

Germany, France hold rates steady as UK, Denmark cut

FRANKFURT, Nov 6: The German and French central banks stood firm and held their key rates steady at low levels as expected, despite a war of words over political calls for a rate cut to combat a slowing of global growth, reports AFP.

Britain surprised with a half point cut in its base rate and Denmark cut its key rates by a quarter of a point, but neither of these countries will participate in the launch of the single currency on January 1.

Interest rates in the 11 countries of the future euro zone are expected to converge to German and French rates by the end of the year.

The Bundesbank held its key discount, Lombard and Securities repurchase rates, unchanged at its regular central council-meeting on Thursday — even after hearing from Finance Minister Oskar Lafontaine, a vocal supporter of

rate cuts, who attended the meeting in person.

The German central bank kept its discount rate at 2.50 per cent its Lombard rate at 4.50 per cent, the same levels since April 1996, and set its securities repurchase or repo rate at a fixed 3.30 per cent for the next two weeks. The repurchase rate has remained unchanged at this level since October 1997.

Similarly, the Bank of France on Thursday held its intervention rate at 3.30 per cent and the five-to-10-day rate at 4.60 per cent.

France and Germany, have the lowest key interest rates of all the 11 countries scheduled to take part in the launch of the euro in January.

Rates are widely expected to converge at the French and German level for the euro launch, and with less than two months to go several countries with higher rates such as Italy,

Spain and Portugal have been hastening to bring them down in recent weeks.

Britain cut its base rate by half a point to 6.75 per cent, analysts had expected a cut of only a quarter of a point, the Danish central bank cut its discount and folio rates by a quarter of a point to 4.0 per cent and its repurchase rate by the same amount to 4.40 per cent.

Consequently, the announcement that Lafontaine would be attending caused a flurry in the markets, since Germany's new finance minister has been one of the most vocal supporters of lower interest rates.

And recent comments by him put him and Chancellor Gerhard Schroeder, at loggerheads with the Bundesbank and the European Central Bank (ECB) over the role of monetary policy and its contribution to economic growth and employment.

Earlier this week, the controversy sparked by Lafontaine's comments compelled ECB President Duisenberg to

say that the ECB — which takes over the reins of monetary policy from the national central banks of the 11 euro zone countries in January and will possibly be the second most important central bank in the world after the US Federal Reserve — would not be influenced by political calls for lower rates.

Lafontaine's insistence on the need for rate cuts has also drawn heavy criticism elsewhere in Germany.

In a radio interview on Thursday, Central Council member Ernst Welteke said Lafontaine's comments "attacked the psychological roots of the euro."

A central bank's freedom from political interference was a condition for a stable euro, Welteke argued.

Even the new Economy Minister, Werner Mueller, told a Berlin newspaper on Thurs-

day that a reduction in German interest rates would be insufficient without the necessary structural reforms.

"What good would be zero interest rates if no one can see profitable investments," Mueller asked.

Mueller insisted that the independence of a central bank was sacrosanct and should not be "called into question in any way."

For most economists here, the excitement over Lafontaine's attendance was exaggerated. It was simply a formal way of introducing himself to the central bank in his new role as Finance Minister and he would not use the opportunity to press for rate cuts, they argued.

Another matter of public interest was the attendance of Heiner Flassbeck, a state secretary at Lafontaine's Finance Ministry.

Sanwa's restructuring coincides with plans to ask for a share of public funds earmarked for strengthening the banking system in recently passed legislation, the Mainichi newspaper said.

Under the terms of the tie-up deal announced Friday, struggling Yasuda Trust will withdraw from overseas and sell its asset-management business to the new venture by next October in return for 140 billion yen (1.19 billion dollars) in capital to write-off its non-performing loans.

The move to bailout Yasuda comes as a precursor to a possible full-scale merger with Fuji Bank, said Fuji Bank head Yoshiro Yamamoto.

For now, the two affiliated banks will link their on-line and private banking businesses and integrate some administrative functions, he said.

The move could ease concerns about the financial health of Japan's Fuyo industrial group, which is headed by Fuji Bank and includes Yasuda Trust, Nissan Motor Co and trading house Marubeni Corp.

US, Russia make breakthrough on food aid, credits

MOSCOW, Nov 6: Russia and the US reached a breakthrough on food aid and credits after days of delicate negotiations on Thursday, with the US Department of Agriculture offering credits worth 600 million dollar to buy food, reports Reuters.

On top of the credits, to be used for maize, soybeans and soymeal, wheat, meat and milk powder, Interfax news agency quoted Deputy Prime Minister Gennady Kulik as saying Washington would also donate 1.5 million tonnes of wheat.

A US official in Moscow confirmed that the deal had been struck, but did not immediately have the details given by Kulik. The deal was due to be signed in the Russian government's White House headquarters on Thursday evening.

Talks between the USDA team led by General Sales Manager Chris Goldthwait, and the Russian delegation led by Kulik, had been under way since Monday morning, with both sides maintaining strict confidentiality.

Under the terms of the deal announced by Kulik, the 600 million dollar loan was offered with a five-year grace period and was repayable over 20 years with a two per cent annual interest rate.

But while the United States was preparing to make this credit available, the Canadian Wheat Board announced that a payment on a credit line for train purchases made available by Canada had not been honoured.

The payment, due at the end of October, was owed under a 1.5 billion dollar Canadian credit and was the third to be missed. Russia also failed to pay in Au-

gust and September. Food procurement for Russia has become key issue since the effective devaluation of the currency, the rouble, on August 17.

The rouble has lost some 60 per cent of its value since then, and imports have dropped dramatically as a result.

Russia imported a third of all food consumed last year, worth 13 billion dollar or a quarter of the value of all imports, and its inability to buy foreign food has led to serious fears of shortages as the winter wears on.

The dependence on imports

was highlighted on Wednesday when First Deputy Prime Minister Yuri Maslyukov said Russia's food stocks were sufficient for just two to three weeks.

While the US has taken the lead in addressing Russia's food problems, the European Union said on Thursday it had also been quietly discussing the issue in both Brussels and Moscow in recent weeks.

A press spokesman for the EU delegation on Moscow said a technical team was due to arrive on Friday and hold talks with a Russian team led by Kulik.

Two Japanese banks to form strategic alliance

TOKYO, Nov 6: In the latest restructuring of Japan's ailing banking industry, two of the nation's biggest banks announced on Friday that they will form a strategic alliance in a key business area, reports AP.

Dai-ichi Kangyo Bank Ltd and Fuji Bank Ltd, both among the top 10 banks in Japan, confirmed reports first published last week that they will merge their trust banking operations into a jointly owned venture.

Dai-ichi Kangyo Fuji Trust & Banking Co. to be set up by April 1 next year to operate alongside its two parents banks.

The link between Dai-ichi Kangyo Bank and Fuji Bank will also provide a lifeline to a troubled Fuji affiliate, Yasuda Trust and Banking Co, by providing an infusion of funds to the cash-strapped lender.

The new venture — unusual in that it links major banks

from industrial groups with few traditional ties — will specialize in asset management, a business field recently deregulated under Japan's "Big Bang" programme of opening financial markets to greater competition.

Japan's financial sector has been hurt by a mountain of bad loans and a prolonged slump in the overall economy.

Last week, Mitsui Trust and Banking Co said it would close its overseas banking operations and Sakura Bank Ltd, another core company of the Mitsui group, announced plans to cut 3,000 jobs, or 20 per cent of its work force, within three years.

On Friday, a major Japanese daily reported Sanwa Bank Ltd will slash the number of its domestic branch offices by 20 per cent and stop carrying out business transactions with foreign companies as it halves the number of overseas branches.

Sanwa's restructuring coincides with plans to ask for a share of public funds earmarked for strengthening the banking system in recently passed legislation, the Mainichi newspaper said.

Under the terms of the tie-up deal announced Friday, struggling Yasuda Trust will withdraw from overseas and sell its asset-management business to the new venture by next October in return for 140 billion yen (1.19 billion dollars) in capital to write-off its non-performing loans.

The move to bailout Yasuda comes as a precursor to a possible full-scale merger with Fuji Bank, said Fuji Bank head Yoshiro Yamamoto.

For now, the two affiliated banks will link their on-line and private banking businesses and integrate some administrative functions, he said.

The move could ease concerns about the financial health of Japan's Fuyo industrial group, which is headed by Fuji Bank and includes Yasuda Trust, Nissan Motor Co and trading house Marubeni Corp.