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IBBL Foundation to launch rural investment schemes

Star Business Report

Islami Bank Foundation has decided to introduce rural investment schemes in 20 places of the country.

The decision was taken by the foundation recently to strengthen the income-generating programme in the rural areas, says a press release.

The Foundation has already spent Tk 1.75 crore till October 31, '98 under income generating and self-employment schemes and more Tk 60 lakh is under process. Through these more than 3500 families have been benefited.

The Foundation, a subsidiary organisation of Islami Bank Bangladesh Limited, is playing a role for social welfare and social development through various projects and programmes.

Under these programmes, sewing machine, type writer, rickshaw, rickshaw-van have been distributed among unemployed youths.

Moreover financial grant is also being provided in the field of agricultural assistance, small business, health-worker formation programme and other programmes for self-employment .

EBL officers' meet held

A meeting of the Dhaka-based officers of Eastern Bank Limited was held on Thursday, says a press release.

Nurul Husain Khan, Chairman of the Board of Directors, and M Khairul Alam, Managing Director of the bank, addressed the meeting and spoke on different important aspects of the bank.

In his speech the chairman dwelt on the role of commercial banks in keeping the wheel of economic activities lively and progressive.

The managing director urged the officers to diversify and enrich their professional knowledge and strengthen their position in the highly competitive market.

Saiham Textile declares 10pc dividend

Saiham Textile Mills Ltd has declared a 10 per cent dividend for the shareholders of the company for the year 1997-98, says a press release issued in city yesterday.

The Board of Directors of the company declare the dividend in its 17th Annual General Meeting held Thursday at the BCIC Auditorium. The meeting was presided over by the Chairman of the company Syed Md Qaisar.

While addressing the shareholders, Syed Md Qaisar, chairman of the company, stated that the overall depressed economic situation of the country and power shortage due to unprecedented load-shedding seriously interrupted production.

This was even worsened by the frequent devaluation of the currency which adversely affected the cost of production of import-based industries such as textiles. Inspite of these unfavourable situation, the company has earned a net profit of Tk 2.70 crores in the financial year 1997-98.

Tk 10cr hilsha exported to West Bengal

BARISAL, Nov 21: Hilsha fish worth about Tk 10 crore were exported to the Indian State of West Bengal during the last six months ending October, unofficial sources said, reports APB.

However, the export could be more than Tk 30 crore if the exporters got sufficient support from commercial banks.

Exporters complained that the volume of export could not boosted as bankers in general are reluctant to invest in the sector.

The export-quality fishes were purchased by private exporters mainly from different wholesale markets of Barisal, sources here said.

Four local private enterprises, which are engaged in the export of fishes, also supplied the deshi (local) Hilsha to Myanmar, Thailand and other countries.

Northern Telecom wins $ 120m in Chinese contracts

NEW YORK, Nov 21: Northern Telecom Ltd said Friday it received contracts valued at $ 120 million from companies in China to expand digital cellular networks and to supply switching equipment, says AP.

Northern Telecom said its Networks unit also agreed to establish a joint research laboratory to develop computer networking technologies and products.

Nortel Networks and its Chinese partners will invest an additional $ 37.5 million in a joint venture that manufactures switching products.

Northern Telecom, based in Brampton, Ontario, makes telecommunications equipment.

Proposal sent to European Council

EU may allow two-stage derogation to knitwear

By Inam Ahmed

The country's T-shirt exports will get a boost as the European Union (EU) has decided in principle to introduce two-stage derogation for allowing exporters avail of its zero tariff facility from January 1, 1999.

The European Commission (EC) has sent a draft proposal to the European Council for a regulation on applying a multi-annual scheme of generalised tariff preferences from January 1, 1999 to December 31, 2001.

The proposal provides for relaxation of the rules for a wide range of knitted garments, which will enable manufacturers to import materials at the yarn stage.

This means that any non-originating (imported) material will have to undergo only two stages of production in the GSP beneficiary countries, that is, yarn knitted into cloth and cloth turned into the finished garments.

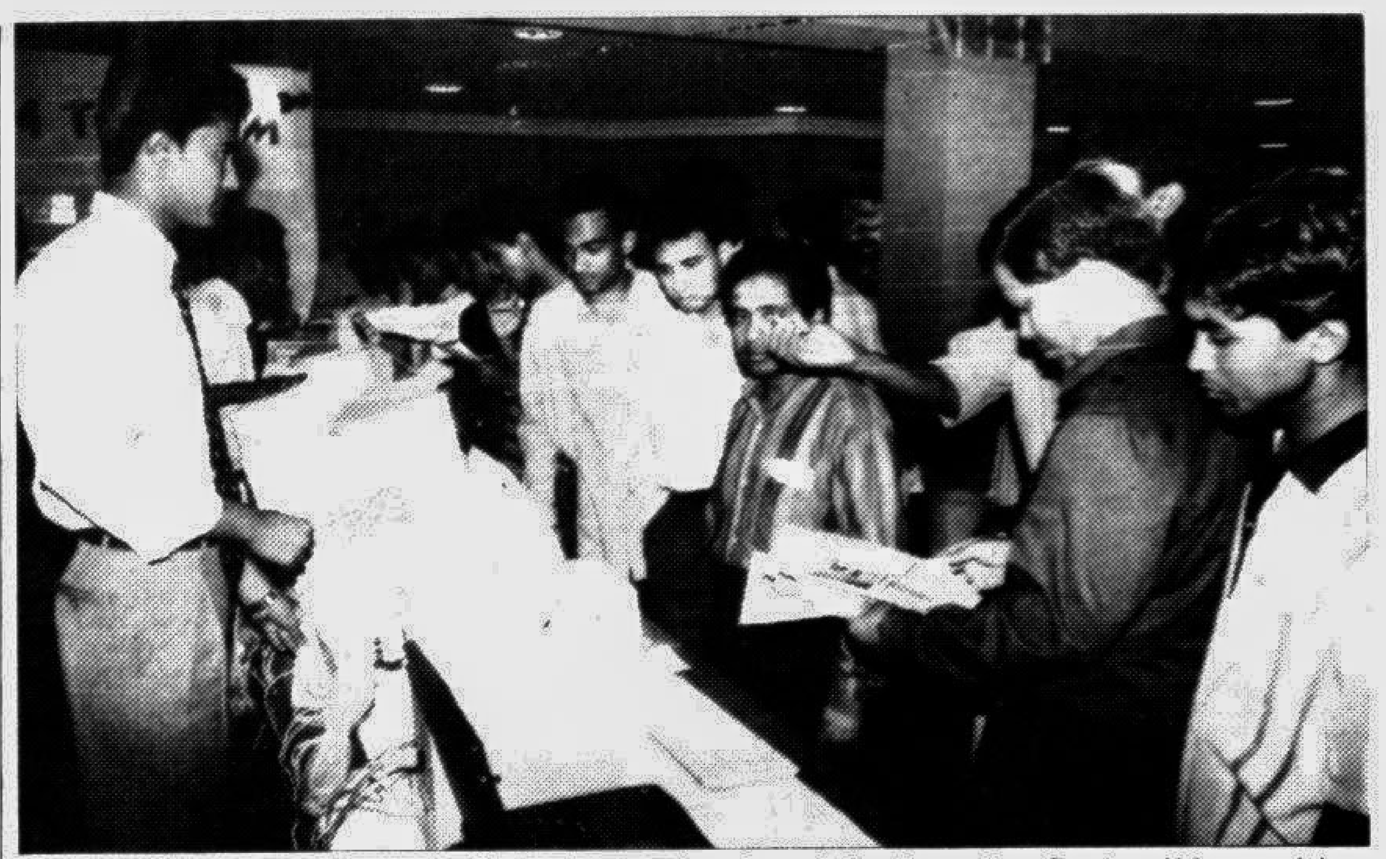
Although the draft proposal is subject to further discussion in the GSP council working group in Brussels, it will only basically be a formality, according to sources there.

For Laos, Cambodia, Nepal and Bangladesh, the new rules for knitted garments, when endorsed, will mean that manufacturers in the above countries will no longer need to use the derogation (special relaxation), which was introduced to the original rules in 1997.

From January 1, GSP forms A, covering knitted garments made from imported yarn, will no longer have to bear the derogation endorsement and there will, therefore, be no need for importers and agents to make claims to quota on the goods concerned.

T-shirt exporters have welcomed the move saying this would help them grab a big share of the European knitwear market. Currently, knit garment exporters are enjoying the three-stage and limited scale two-stage derogation.

Now, they feel that with the new rule, likely to be effective from next year, they can increase their businesses further.



Visitors throng a computer stall on the opening day of the three-day Comteq '98 exposition at Hotel Sheraton yesterday. —Star photo

Law to sell out Tk 25cr SOEs at one stroke under scrutiny

A big push to the privatisation process is in the offing as a law providing for sellout of state-owned enterprises worth up to Tk 25 crore at one stroke is under scrutiny, reports UNB.

The draft of the law, which also seeks to transform the Privatisation Board into a commission, now awaits Law Ministry's vetting to go to parliament as a bill, officials said.

Legally handicapped but shouldering a gigantic task, the Privatisation Board seeks the legal authority to expedite its job overcoming bureaucratic tangles it faces in offloading public enterprises that drain out roughly Tk 2500 crore from the exchequer every year.

Some 81 SOEs are now on the list made by the Board for privatisation in a bid to rid the country of the financial haemorrhage.

Among many other things, the 24-Section draft law recommends renaming of the Board as Privatisation Commission, giving it an autonomous corporate status.

The Board took at least one year to prepare the draft that moved from Cabinet Division to the Law Ministry about a month back.

"In fact we haven't got any legal framework so far. It's just working on the basis of a circular," said an official of the Board, often criticised by donors for its snail-slow going with the privatisation process.

Established in 1993, the Privatisation Board boasts of having its chairman with state minister's rank since 1996, but requires to take Prime Minister's approval to the sellout deal for even a small SOE — whatever its price.

"Our authority is limited. We just work as a mediator between prospective buyers and different ministries," the high official told UNB.

In-between the Board and Prime Minister's office, which directly oversees the Board's activity, the Privatisation Board has to go hopping over at least three stages involving different departments and ministries.

"The process is so complicated that sometimes it takes about one year to finalise a decision to sell," he said.

The Privatisation Board has a decision-making board comprising 5 MPs from all representing parties in parliament, 4 secretaries of different ministries, including Finance, Industries and Commerce, chairman of the Securities and Exchange Commission and private sector's representative from the apex trade body, FBCCI.

Having such a powerful decision-making body, the Board is capable enough to finalise selling process of SOEs without knocking from door to door, Board officials feel.

During its five years, the Board could hand over 17 SOEs to private sector and offload shares of nine while "almost finalised" procedures of selling nine more, Board officials said.

At least in seminars, different political parties and their labour fronts agreed "on principle" on the need for privatisation.

IT fair begins in city

Govt wants computer sector to fetch most: Tofail

Commerce and Industries Minister Tofail Ahmed said the government has targeted for rapid development and flourishing of computer sector so that it could come out as the highest foreign exchange earning sector of the country by the next five years, reports UNB.

The minister was addressing the opening ceremony of the three day computer, telecommunications and office equipment exposition 'COMTEQ-98' at hotel Sheraton here yesterday.

Organised by the Conference and Exhibition Management Services (CEMS), some 21 Computer hardware and services companies are participating in the exhibition.

The ministers said the developed and developing countries, including India, have achieved a remarkable progress in this sector while we have lagged behind in the market competition.

He said the present government identified it as a thrust sector for export and had formed an experts committee to develop this sector. Most recommendations, out of 45, of the committee have been implemented, including the duty free import facility for the computer hardware, software and accessories.

'We have primarily selected a land near Savar to set up an Information Technology (IT) village with 'communication hub' and 'VSAT," said the Commerce Minister.

The government has established Employment Bank where the talented and uneducated youths will get up to Tk 50,000 collateral free loan to invest in this sector, he added.

Tofail also said an Export Development Fund of Tk five crore is also made available to attract young generation in this sector.

He called upon the trainers to give the youths right direction so that they can come out as computer programme and It experts.

The minister said the developed world is programming the development in the new millennium where E-Commerce is the main focus.

Stressing importance on the device to measure the volume of export, the minister said, we should evolve a device for this purposes as 90 per cent of software and computer services export are non-physical.

The 17th Annual General Meeting of Saiham Textile Mills Ltd held at BCIC auditorium Thursday. — Saiham Textile photo

Apartment with two bedrooms sells at $15m

SAN FRANCISCO, Nov 21: The two bedroom penthouse apartment boasts a wraparound terrace, floor-to-ceiling windows and a spectacular view of the San Francisco Bay area, reports AP.

But is it really worth 15 million dollars?

Charlton Buckley thinks so. On Thursday, he purchased the apartment and all its furniture from oil heir Billy Getty.

"It's one of a kind," said real estate agent Richard Weil of Hill and Co, which represented Buckley. "There's nothing like it in the world."

The 24th-floor penthouse has an unparalleled 360-degree view of the bay area and is located in the tony neighbourhood of Russian Hill.

Realtors say the sale makes it the most expensive home in a city with a skyrocketing housing market, eclipsing the estimated 6 million dollar author Danielle Steel reportedly pain for her sprawling Pacific Heights mansion.

"That does appear to be the most expensive two-bedroom apartment I've ever heard of," llyce Glink, a nationally syndicated real estate columnist and book author in Chicago, said Friday.

It beats the 9.5 million dollars billionaire David Koch reportedly paid in 1994 for Jackie Onassis' 15th-floor apartment overlooking New York's Central Park.

US seeks WTO ruling on banana import policy

WASHINGTON, Nov 21: The United States hurled a challenge yesterday at the European Union, inviting it to allow a World Trade Organisation panel to rule on the validity of new EU banana import policies, reports AFP.

"If the EU believes as strongly as it says it does that its position is consistent with its (international trade) obligations, let it have the courage of its convictions and put that to the test," said US special trade negotiator Peter Scher.

He was speaking after US Trade Representative Charlene Barshefsky disclosed that she had sent a letter to EU Trade Commissioner Sir Leon Brittan proposing that the WTO panel hear the dispute.

A WTO panel, acting on a complaint by the United States, last year found that EU banana import policies were discriminatory and in violation of WTO regulations. EU officials then drafted a new position that they said was consistent with WTO requirements.

But the United States rejected the proposed import regime and earlier this month threatened to slap 100 per cent punitive duties on February 1, 1999 on a range of European products imported into the United States.

"The EU has contended that the new banana regime fully complies with WTO obligations," Barshefsky said in a statement.

"This proposal will fairly measure whether the EU will meet its market opening obligations."

Metal: Weekly Roundup

Copper, gold end lower

LONDON, Nov 21: Three-month copper fell 16 dollars to 1,587.5 dollars a tonne as LME warehouse reserves climbed relentlessly higher for another week, up 6,025 tonnes at 484,425 tonnes.

Investors are expecting still further increases in LME stocks, especially in Singapore and the west coast of the United States.

Rumours persisted that US producer Asarco is to cut its production, despite the group's refusal to comment.

LEAD: Polished. Lead prices picked up sharply thanks to a fall in LME reserves of 1,775 tonnes to 107,575 tonnes.

Three-month lead closed at 506.50 dollars a tonne, up 12 dollars.

Lead, used extensively in automobile batteries, also profited from the start of the winter in the northern hemisphere, a seasonal peak for the battery market.

GOLD: Tarnished. Gold prices fell slightly despite a fall in the value of the dollar against the yen after a cut in US interest rates and on hopes that a coalition government in Japan might implement a sharp reduction of sales tax there.

A fall in the value of the dollar usually incites Asian buying of gold as it increases purchasing power from the east.

Prices on the London Bullion Market fell by 1.1 dollars to 296 dollars an ounce.

Expectations of a cut in Japanese consumption tax grew following agreement between the ruling Liberal Democratic Party (LDP) and the opposition liberal party to form a coalition.

Lower US interest rates also failed to revive market sentiment.

SILVER: Stable. Silver prices stabilised amid a rise in reserves held on the New York market.

Prices on the London Bullion Market rose by one cent to 5.01 dollars an ounce.

PALLADIUM AND PLATINUM: Shine. The price of these two sister metals rose on technical trades and an upbeat half-yearly study from Johnson Matthey investment house on the outlook for the metals next year.

Palladium prices on the London palladium and platinum market rose to 296 dollars from 275.75 dollars and platinum prices rose by 15 dollars to 358.50 dollars an ounce.

Platinum and palladium, widely used in jewellery and cars, are likely to see stable prices in the first half of 1999, despite uncertainty across the world economy, the study suggested.

ALUMINIUM: Flat. Three-month aluminium prices were hit by higher supplies, partly due to rises in London Metal Exchange warehouse stocks, but also due to Russian exports.

Aluminium closed Friday at 1,307.5 dollars a tonne, down 26 dollars, while LME reserves rose 8,300 tonnes to 533,750 tonnes.

Russian exports rose 2.9 per cent to 2.067 millions tonnes in the first nine months, compared to the same period last year, according to official figures.

NICKEL: Dull. Nickel prices fell slightly over the week, despite an end of week rally, due to a rise in LME stocks of 960 tonnes to 61.524 tonnes.

Three month nickel closed at 4,257.50 dollars a tonne, down 15 dollars.

According to official Russian figures, nickel exports fell in the first nine months this year to 154.500 tonnes from 162.000 tonnes.

ZINC: Shiny. Three month zinc prices rose a slight 9.25 dollars to 975.25 dollars a tonne, as LME warehouse stocks fell 7.05 tonnes to 331,475 tonnes.

LME stocks have now fallen 160.125 tonnes since the start of the year.

Prices were further lifted by the closing of Italys Crontone zinc refinery with 100,000 tonnes annual capacity.

Is the world headed for a recession?

Arun Ghosh writes from New Delhi

MOST people today are familiar with the currency turmoils which — over 1997/1998 have devastated the East/Southeast Asian Tigers and newly industrialising countries.

Japan's industrial slowdown, which commenced from the early nineties, has now become much more marked, despite major policy changes by the Japanese government, on lines recommended by the experts and economists of the US Treasury, the IMF and the World Bank.

The world has known of Russia's travails and woes where, between 1989 and 1997, the GDP has already contracted to less than half, and now the country is on the verge of an economic collapse.

And now comes the news of an impending crisis in Brazil where the rate of interest has been raised to more than 40 per cent to prevent the flight of capital. Is the whole world headed for a recession of the 1929-33 variety?

That is not unlikely; indeed, all too likely.

First, much is made of the importance of 'global capital flows' and of 'financial sector reform' which would permit the freer flow of capital into India. Just three important points need to be noted herein.

First, overall flow of FDI in the world is of the order of around $270 billion annually — that too to a few selected countries — whereas the cross country flow of speculative 'hot money' is the mind boggling figure of $1000 billion daily from the New York market alone. Add the London, Frankfurt, Zurich, Hong Kong, Singapore markets (and allowing for possible double counting), with electronic transfers (involving a near 365-day year), and one realises that the private capital market has today assumed the size and shape of the genie released by Aladin from a bottle.

From where do such large funds emanate, and where are they headed? There are mainly four sources : Eurodollars which arose in large volumes following the Vietnam war (when the USA ran heavy balance of payments deficits); Petrodollars which arose after the 'oil' price hike by the OPEC in Nov '73-Feb '74; the growing 'pension' and other 'social security' funds garnered from the increasing prosperity of the middle classes during (and following) the Golden Age of capitalism after the second world war; and finally, the illegal money made from the arms trade, narcotics trade, smuggling, and the wealth (of poor countries) siphoned off by the likes of Marcos and Mobutu.

There is an interesting point herein. All these ill-gotten gains are 'laundered' with the help of 'respectable bankers', and get into the stream of investible funds. The total volume of funds seeking placements with a decent return is thus really sizeable.

But herein arises the second development. Since the early eighties overall investment-certainly in the OECD countries — has stagnated; indeed, so has output. World output growth has flattened; profitable real investment prospects are fewer. Also, the Transitional Corporations (TNCs) have their own investible surpluses; they do not need outside capital. So, where do these funds go? In the seventies, the Western bankers lent short (for long term investments) in Latin America; and in the debt crisis that followed, the Paris Club stepped in to save the lenders.

But that story is now well-known; the important issue is, where do these short term funds get invested?

The funds managers want quick profits, and large profits (for their remuneration depends on the returns they can get for the savers). All assets in developing countries are by and large undervalued; so, the target of the fund managers is trade in assets. They want to make quick 'capital gains.'

This is where the third point of relevance arises; they did, in fact, make enormous capital gains. According to an OECD report of 1993, whereas average business profits (in the OECD countries) were around 12 per cent on capital in the early eighties, these profits increased to more than 15 per cent by 1992-93. And this happened while real investments and real output growth slowed down.

It is this increase in speculative activity requiring the 'globalization' of finance which characterizes the world today. The finance managers — financial experts with experience — are all the time looking for quick capital gains, interest rate differentials in different countries, possibilities of making a quick buck by speculating on exchange rates, on the upswings in the value of portfolio securities.

And this is the thrust for 'financial sector reforms', in order to prise open the financial markets of developing countries. East/Southeast Asia has already paid the price. Latin America is perhaps the next target. India and Pakistan may soon follow, for we too have been 'liberalising' and opening up our financial market. The trade in 'derivatives' is one of the steps in that direction.

But why should that lead to a world wide depression? The answer lies in the increasing hollowness of the US financial system, despite the supposed transparency and the regulatory mechanisms in place there. Consider just two points in this context.

First, few people are aware that in 1997, some 30% of the personal income of US consumers came from Capital Gains. This type of 'capital gain' cannot continue ad infinitum. The Dow-Jones index in the USA is today highly inflated; and it must be kept up to keep confidence, to keep people from running to encash their savings.

But, 'capital gains' can be made by some only at the expense of some others, and the 'others' could be a set of producers or even consumers as a class. Capital gains cannot be made permanently, even in developing countries; the bubble must burst at some point. So far, these capital gains have been made through clever (and timely) investments/withdrawals.

But very recently, the Long Term Capital Management (LTCM) — an investment funds started by reputed bankers and men of wealth in the USA — came to near grief. With a paid-up capital of $ 4.5 billion, it had liabilities (and assets) worth more than $100 billion; it was operating primarily on interest rate differentials in Japan and the USA; and in 1997, it gave its owners a 40 per cent return.

This year, their calculations have gone awry; and so deep are the ramifications of their operations that the Federal Reserve of New York had to step in and arrange for the creditors of LTCM to contribute to an increased equity by $3.5 billion-giving them 80% share in the reduced capital — to meet immediate commitments.

Note that with a capital of $4.5 billion, the LTCM could leverage liabilities/doubtful assets of more than $100 billion. Note also that there are many other similar 'funds' — not all of them so well known or high profile — in the USA. How long will they take to crash?

That is the reason why we could have a worldwide recession. Governments are powerless in the context of the clout of such large floating funds. With the IMF without any resources — and indeed, without any clue as to what to do with the US President under threat of impeachment, any shock could send the Dow-Jones index tumbling down. That would be the beginning of the end.

— Mandira

The writer is a Member of Indian Planning Commission

UAE rounds up 1,000 illegal workers

DUBAI, Nov 21: Some 1,000 illegal immigrant workers have been arrested in the past 10 days across the United Arab Emirates (UAE), Newspapers said Saturday, reports AFP.

Most were arrested in the country's trading centre, Dubai, and in the neighbouring Emirate of Sharjah, the Gulf News said.

The arrests are part of a government crackdown on illegal immigrants that has sometimes led to bloody clashes with police.

On Friday, the Gulf News reported that a group of 21 immigrants attacked a police patrol in Hatta, near the UAE's border with Oman, when officers tried to arrest a man they suspected of being an illegal worker.

At least three quarters of a million illegal immigrants have been expelled from the six Gulf Cooperation Council (GCC) states, of which the UAE is a part, through amnesties or government crackdowns since 1996.

Although Gulf governments are reluctant to give official of accurate figures for the number of expatriate workers, unofficially there are about 10 million out of a total Gulf population of about 25 million.

Foreigners account for a much as 85 per cent of the UAE's 2.4 million population.