The Daily Star
BUSINESS
DHAKA, WEDNESDAY, DECEMBER 23, 1998

PM sits with export body on target failure tomorrow

As the country's export fell short of target by 278.19 million US dollars during the first four months of the current fiscal year, the Prime Minister sits with the National Export Committee here on Thursday, reports UNB.

The meeting is expected to take stock of the export performance during the period when the country faced its worst deluge and also to find ways of fulfilling the export target.

For the July-October period of the fiscal 1998-99, the export target was 1933.33 million dollars while actual export was 1655.14 million dollars.

The export performance in the first four months of the current financial year is 97.39 million dollars less than that of the corresponding period last fiscal (1997-98) when the export was 1752.53 million dollars.

The export target for the current fiscal year is 5,800 million US dollars — primary goods 580 million dollars and manufactured products 5,220 million dollars.

Export Promotion Bureau (EPB) officials said that compared with the original target, export of raw jute and jute products experienced 60.83 per cent and 11.88 per cent fall in the first four months of the fiscal 1998-99.

Leather export for the period was 26.28 per cent less than the target while handicrafts fell by 15.45 per cent, ready-made garments 9.69 per cent, knitwear 22.53 per cent and chemical products by 12.64 per cent.

While the total export was 14.39 per cent less than the target during the four months, export of tea and frozen foods marked 12.9 per cent and 14.86 per cent rise over the target.

Export of frozen food at 122.52 million dollars in the first four months of the current fiscal year was 24.71 million dollars less than that of the corresponding period on the last fiscal (1997-98).

Export of tea in the July-October period of the current fiscal year was 5.41 million dollars less than that of the corresponding period of last fiscal year.

Visiting British business envoy says

Promising Bangladeshi projects can lure foreign investors

Star Business Report

Lord Swraj Paul, known as a roving envoy of British business, yesterday emphasised the need for initiating good and promising projects by Bangladeshi entrepreneurs to attract foreign investment.

"The entrepreneurs in Bangladesh should initiate projects of their own and develop the fund-raising mechanism to implement the projects. Foreign business partners can come up with their technological expertise," he said while talking to leaders of the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI) at the Federation Bhaban in the city yesterday.

"Bangladesh has the potential to be developed by the people of its own and the foreign people, investors can assist them in that very process," Paul, who migrated from India some 30 years ago said, adding "there are many areas in which Bangladesh and Britain can share and collaborate as both the countries have deeply-rooted bilateral relations."

He said that he had brought with him the British government's assurances of cooperation and the enthusiasm of the UK business community about Bangladesh.

The British business ambassador said that in the modern world trade has to be built upon reciprocity and is not a one-way affair. This is one reason why Britain has been so active in the World Trade Organisation (WTO) and so supportive of global trade leberalisation.

The ambassador termed Britain's record in being responsible and fair in its dealings with those who do business with them 'outstanding'. "It was something more than a policy - it was a tradition" Paul said, adding that "UK is attracting more inward investments than any other country excepting the US."

Chaired by FBCCI President Abdul Awal Mintoo, the meeting was also attended by the British High Commissioner to Bangladesh David C Walker.

Speaking on the occasion, Abdul Awal Mintoo said : "Bangladesh needs collaboration with the UK businessmen not only for investment but also for modern technology and management to sharpen its competitive edge following globalisation economies."

However, he hoped that the visit of Swraj Paul would further strengthen the bilateral relations of the two countries and be particularly useful in attracting British and non-resident Indian investors to Bangladesh.

Mintoo mentioned that Britain had one of the largest foreign investor presence in Bangladesh with more than 47 companies active in the market.

The government has recently taken some 'very important' measures to facilitate foreign investment. These include the establishment of a permanent legal reform commission for updating the existing laws, smoothening legal procedures and opening up the energy and telecommunications sectors to private investment, he said.

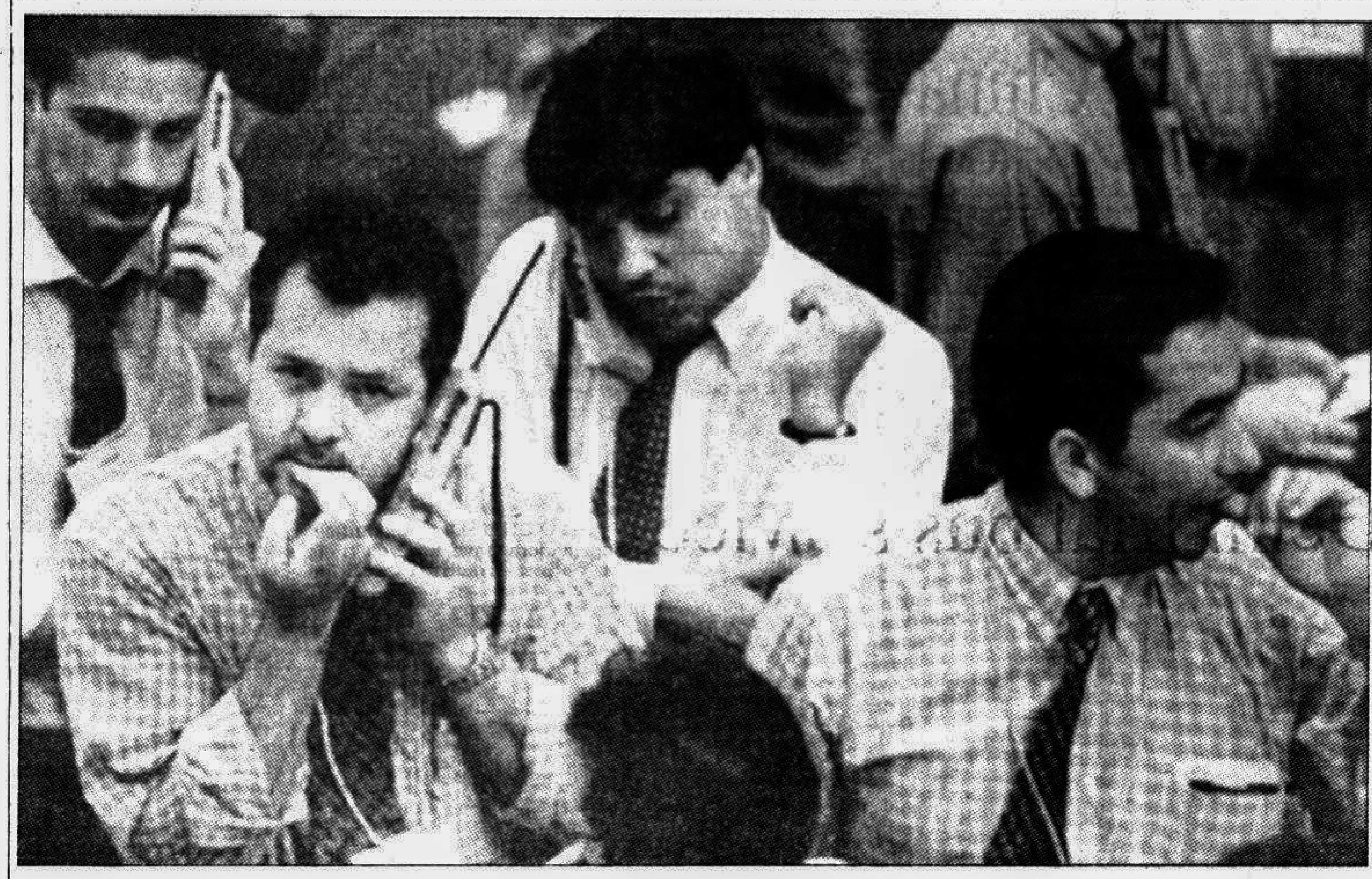
Besides, the FBCCI president highlighted some potential areas of investment for the British entrepreneurs in Bangladesh. The areas include energy and telecommunications, leather and leather goods, engineering industries, electrical and electronic industries including computer software and data entry, tourism, hotels, shrimp culture and food-processing.

On a query regarding the existing trade imbalance between Bangladesh and India, Paul said that during his recent meeting with top Indian leaders he got a very positive impression that India is keen to do increased business with Bangladesh.

Terming the achievement of country's garment sector as marvellous, he said the quality and price of locally made garments were enough to draw global interest.

Paul said that gas in Bangladesh had manifold uses and the country should make sure how best it could be utilised for its development.

Britain is the second largest export market of Bangladesh after USA. Bangladesh's exports to the UK rose from 130.4 million US dollars in 1991-92 to 440.19 million US dollars in fiscal 1997-98 with a net balance of 261.05 million dollars in its favour.



Traders on the floor of the BOVESPA stock market in Sao Paulo, Brazil Monday. Brazilian equities closed sharply higher Monday, buoyed by a bullish Wall Street and the options expiration of market bellwether Telebras receipts during the first half of the session. — AP/UNB photo

Dispute over banana trade

US lists EU products to impose punitive duties

WASHINGTON, Dec 22: The United States moved a step closer to imposing trade sanctions yesterday in its row with the European Union over bananas, publishing a list of EU products to be hit with punitive duties, reports AFP.

The products, which would be hit with 100 per cent duties, include such items as cheese, candles, bath preparations, handbags and bed linens. Sanctions could take effect as early as February 2 and no later than March 3.

A senior US trade official would not assign a figure to the value of the targeted imports but said it would be in the range of "hundreds of millions of dollars."

Exasperated at what it says has been EU discrimination against imports of Latin American bananas from US multinationals, the office of the US Trade Representative made good on its threat to publish the list despite strong European objections to such a move.

European Union Trade Commissioner Sir Leon Brittan appealed to President Bill Clinton on Friday to hold off publication to allow more time for negotiations.

But the United States maintains that the European Union is flagrantly flouting a ruling last year by the World Trade Organisation that found EU banana import policies to be in violation of international trade rules.

"We have made repeated attempts to resolve this matter with the EU through negotiations," said US Trade Representative Charlene Barshefsky.

"The European Union, however, has rebuffed all of these attempts. Therefore the next step is to invoke the WTO procedures that authorise US to take action offsetting the damage caused by the EU's discriminatory banana regime."

But she added that "the door remains open to a negotiated solution."

Barring a last-minute resolution, the United States will present its list to the WTO for authorization on January 21, at which time, according to US officials, a dollar figures will be provided on the cost to the EU.

The sanctions will take effect February 2 but could be delayed until March 3 if the European Union contests the scope of the tariffs and calls for WTO arbitration.

US officials insist that privileges accorded bananas grown by a group of African, Caribbean and Pacific nations — many of them former British or French colonies — have harmed the interests of US multinationals that harvest and export bananas from Central America.

The European Union responded to a ruling in May 1997 by a WTO dispute settlement panel by amending its policies, but Washington found the new regime unsatisfactory and proposed that the WTO panel be reconvened to settle the dispute.

That initiative was promptly shot down by the European Union, which said it would not negotiate under the threat of sanctions.

EU authorities have cited warnings from Caribbean governments that the loss of EU import privileges would be devastating to their economies and could induce certain interests there to turn to drug trafficking to make a living.

Special US trade ambassador Peter Scher said Monday that any overall solution would have to protect the interests of the Caribbean but dismissed the European expression of concern.

"Frankly, it's a red herring by the EU to divert attention from the fact that it's violating its trade obligations."

Scher maintained that the flap "is about a much broader issue than just bananas."

He charged that the European Union is now the first WTO member to refuse to abide by one of the organisation's findings. If the United States took no action, according to Scher, "the message we're sending is that the multilateral system is ineffective."

Business Briefs

Manila seen posting higher growth in '99

MANILA: The Philippines' chief economic planner on Tuesday expressed optimism the country will post higher economic growth in 1999 after suffering a slowdown caused by the Asian financial crisis and a severe drought this year.

Next year will be a "period of further consolidation and recovery," Socio-Economic Planning Secretary Felipe Medalla told reporters at a year-end briefing.

The government projects the gross national product to grow between 0.5 per cent and 1.0 per cent and gross domestic product to grow 1.0 per cent in 1998, Medalla said.

GNP measures a country's total output while GDP excludes the net factor income from abroad.

For 1999, the government targets a GNP growth of 3.0 per cent to 3.5 per cent while GDP is projected to grow by 2.6 per cent to 3.1 per cent, Medalla said.

Medalla said a resilient service sector and continued consumer market demand allowed the Philippines to escape a recession in 1998 and elude the various economic problems suffered by its neighbours due to the regional financial crisis.

Japan moves on with reforms

TOKYO: Japan's top economic official said Tuesday his country would no longer rely on exports to pull itself out of recession and was moving quickly with internal reforms, such as cutting taxes and red tape.

Speaking along with Japan's prime minister before a group of business leaders, Taiichi Sakaiya, said Japan must follow the example of the robust US economy, which he said is reaping the benefits from a shrinking of government in the 1980s.

In that same America where they used to have such big deficits, they're now debating what to do with their (budget) surpluses," he said. Sakaiya heads the Economic Planning Agency.

A necessary step is curtailing government involvement in the economy, which Prime Minister Keizo Obuchi said would lead to opportunities for creating new industries.

"Entrepreneurship is the basis of economic growth," Obuchi said.

Sakaiya said that since taking power in August, Obuchi had also taken a page from former President Ronald Reagan's economic policies and sliced the top income bracket to 50 from 65 per cent. He also cut corporate taxes to levels similar to the United States.

Nissan to slash its domestic output

TOKYO, Dec 22 (UNB/AP): Nissan Motor Co, Japan's second-largest automaker, said Friday it plans to slash domestic production capacity by about 15 per cent over the next five years and may close some of plants.

Nissan executive vice president Kosei Minami told reporters his company will cut annual output capacity to 1.7 million vehicles from the current 2 million vehicles by 2003 to cope with sluggish demand in its home market.

As a result, the company might have to close some of the Nissan group's eight plants, Minami said. He did not specify which plants could be shuttered.

The scaling down of its operations comes as just the latest blow to the troubled automaker.

Last month, Nissan said it expects to lose 30 billion yen ($260 million) for the current fiscal year ending next March at the group level, which includes the parent company and its subsidiaries.

In 1999, Nissan projects its domestic production will stay little changed at 1.56 million units next year after weak sales in recession-stricken Japan pushed output down by 10 per cent this year to 1.55 million units.

Moody's reviewing Mazda ratings

TOKYO: Moody's Investors Services on Tuesday said it is reviewing its rating of Japanese automaker Mazda Motor Corp's creditworthiness for a possible downgrade.

The New York-based credit rating agency cited the "the weakened auto market and the banking system in Japan" as its reason for reviewing Mazda's Baa3 senior unsecured long-term debt rating. A cut would put Mazda's debt in so-called junk bond category.

Moody's said it will investigate Mazda's ability to shore up its finances amid slumping domestic auto demand and heightened competition among rivals to launch new products.

The agency also said it will consider the effectiveness of Mazda's current restructuring drive and its efforts to improve its overseas operations and financial performance.

Moody's announcement sent Mazda shares 1.4 per cent lower to 424 yen ($3.60) on the Tokyo Stock Exchange.

Hiroshima-based Mazda is 33.4 per cent owned by America's Ford Motor Co.

— AP reports

Mosharraf off to S'pore for treatment

Mosharraf Hossain, MP, a leading businessman from Feni (three), left for Singapore on Sunday night for treatment, says a press release issued yesterday.

He was admitted to a clinic at Gulshan on December 4 for cardiac treatment.

A large number of people including leaders of different political parties, representatives of different chambers and business personalities visited him at the clinic.

Mosharraf Hossain has expressed his gratitude to all who went to see him at the clinic. He requested all to pray for his early recovery.

Bankers warn

Asian stocks may fall 20 pc next year

LONDON, Dec 22: The worst may be over, but the outlook remains grim for Hong Kong and the other Asian markets, which may fall by 20 per cent in the first half of 1999, bankers warned yesterday, reports AFP.

Flemings Investment Bank warned in its end of year round-up that share prices in Asia should fall by 15 to 20 per cent from levels seen in early December as the credit crunch tightens and the recent market rally is seen as over-done.

Chief strategist for Asia, Don Fineman, told journalists here: "I think we could see a correction over the near term," he predicted a 20 per cent fall in share prices across Asia.

The bank's Hong Kong strategist, Steven Li, said: "We are bearish, and added, we will see a correction here as in the rest of Asia."

Flemings has downgraded its outlook for Taiwan. "Although we have long favoured this market due to relatively robust economic underpinnings, Taiwan is entering a more serious phase of its slowdown," the bank said in its report.

Fineman said: "We are very concerned about the fundamentals in Korea" with little progress seen in restructuring of the Chaebol conglomerates. He also said that "India is going in the wrong direction."

Thailand and the Philippines were given a neutral outlook by the bank.

At JP Morgan Securities, Jose Daza agreed that the drying up of credit represented a major risk to emerging markets. "Investors and market players will show little willingness to take risk," he said.

The head of global emerging markets research at Flemings, Jonathan Garner, identified Brazil, Turkey and South Africa as "three of the countries we are most worried about in the near term."

He pointed to political risks in South Africa, such as the change of central bank governor next year.

Garner warned that "the worst synchronized recession in the emerging world since 1974" would spread to other countries next year.

KL seeks $5b from Japan's Asia fund

KUALA LUMPUR, Dec 22: Malaysia is seeking five billion dollars from a 30-billion-dollar fund for Asia proposed by Japan's Finance Minister Kiichi Miyazawa in October, Second Finance Minister Mustapa Mohamed said today, reports AFP.

"They (Japan) appear quite serious about it," Mustapa said during a signing ceremony for a Japanese-government guaranteed five-year euro note issue arranged by Nomura Securities Co Ltd raising 74 billion yen (640 million dollars) for Malaysia.

Japan's Finance Ministry announced last week a 2.1 billion dollar package for Malaysia "under the principle" of the Miyazawa programme, which initially targeted Indonesia, the Philippines, Thailand and South Korea as well.

Unveiling the package two days later, Japan's ambassador to Malaysia said it could be considered "separate" from the Miyazawa initiative as negotiations between Tokyo and Kuala Lumpur started before the initiative was announced.

Mustapa said the Malaysia government had been talking to multilateral agencies for financial aid.

Industrialisation in N dists hinges on power dearth

NATORE, Dec 22: With the opening of Jamuna Bridge to traffic, trade, commerce and economic activities in the industrially-backward northern districts, the country have entered in a new era for the people of the region, reports UNB.

But the bright prospect is being shattered due to acute shortage of power supply. Rajshahi Power Development Board (PDB) office sources said, the national gridline also supplying only 80 to 125 mw of electricity daily during the peak hours against the demand of 360 to 400 mw in the 16 northern districts.

An official of the department said, the power requirement will be doubled or tripled with the industrialisation of the region, supply of which will not be possible through the existing power supply network.

The electricity is now being supplied to 16 northern districts from the national gridline through Ishwardi station in Pabna, where a 232 kv power transmission line is connected with the national gridline. From here, power reaches 17 grid stations through 132 kv lines under three circle in the region, said PDB sources.

Power is supplied from these grid stations to the sub-station and feeder by using 33 kv transmission lines. From the sub-station and feeders, electricity reaches the general consumers and industrial sector through 11 kv supply lines. Most of the transformers go out of order frequently owing to their deplorable conditions and increasing load, said the sources.

An expert said that the existing supply network would fail to bear any more load keeping race with the present industrialisation process in the region.

On the other hand, the present power generation in the region is only 121 mw of which 70 mw is generated at Baghabari, 22 mw in Syedpur, 20 mw in Rangpur, four mw in Thakurgaon and five mw in Bogra per day. The total local generation is being supplied to the national grid.

The enthusiastic entrepreneurs, who are assessing the potentialities to set up new industries in the region, urged the concerned authorities to take urgent measures for implementation of 300 mw Barapukuria steam turbine power plant Project, 100 mw gas turbine power plant project at Baghabari and the much-talked about 450 mw nuclear power plant at Ruppur in Ishwardi.

It will help not only achieve self-sufficiency in power generation in the region but also add a lot of megawatt to the national gridline for consumption in other parts of the country, they said.

The district Chamber of Commerce and Industries president M Aminul Haque told UNB that another dream of achieving self-reliance through industrialisation in the region like BJMB will be achieved through proper electrification which will also create huge job opportunities for the unemployed people.

Alcatel, Loral set up satellite company

PARIS, Dec 22: French group Alcatel and US group Loral Corporation's unit Loral Sapce and Communications said on Monday they have set up Europe Star, a satellite company, which will provide video and telecommunication transmission services in Europe, the Middle East, South Africa, India and Southeast Asia.

The company will be part of the Loral Global Alliance Network which uses Loral Skynet's, Loral Orion's and Satmex's satellite capabilities.

Europe Star will be based in London. It will begin operations in the first half of next year and will launch its first satellite around the middle of the year 2000 and a second in 2002.

Big Xmas spenders scale back fearing thin wallets in '99

NEW YORK, Dec 22: The nation's biggest spenders aren't indulging on luxury goods this Christmas with the same insatiable enthusiasm of the past few years, fearing that their wallets won't be as thick in 1999, reports AP.

That's not to say the most affluent have stopped spending, but many aren't loading up on $1,000 gifts this year as they have in Christmases past.

"Six months ago, I didn't think about what I was buying. Now, I'm watching it a little more," Steve Lee said after doing some shopping along New York's exclusive Madison Avenue. "I can't count on next year being as good as the past few years."

Upscale retailers who cater to the rich had enjoyed a few years of unbelievable popularity. Not since the ostentatious 1980s had high-end merchandise been in such demand.

In years past, shoppers gobbled up Cartier watches and Gucci pocketbooks, and few shied away from spending thousands during the holidays on everything from $50 scented candles to $2,000 cashmere robes.

But business clearly isn't as brisk this Christmas. Even though the stock market continues to flirt with new records and the US economy remains healthy, many managers and executives look to next year with uncertainty.

Some worry about losing their jobs. A wave of corporate mergers, as well as turmoil in financial markets overseas, already has forced many big companies, like Citigroup, Merrill Lynch and Boeing, to slash thousands of positions.

Others fear that lower company profits will translate into meager or nonexistent year-end bonuses. And almost everyone is holding their breath to see what the stock market does next.

"Many of these people have been spending beyond their means like never before," said Lawrence Crowe, chief executive of Meadow Publications in Mamaroneck, New York, which specialises in tracking retailing trends. "But now they are nervous about what could come."

That's bad news for the high-end retailers, who are also being hurt by the drop in free-spending Asian tourists.

Recent visits to many of the nation's fanciest shopping districts found many stores with more salespeople than shoppers.

At the empty Bang and Olufsen in the Somerset Mall in Troy, Michigan, salesman Duffy King said there wasn't much interest in the store's pricey electronics, which range from $1,700 to $8,000.

At The Forum Shops, a tony mall in Las Vegas, the Gap was packed while only a few shoppers trickled in and out of the many high-priced stores.

"They're not spending like before," said Maria Robles, who works at the Louis Vuitton store. "It's picked up a little, but not like last year."

It's not that these wealthy Americans don't have money to spend or that they've turned into Scrooge. Analysts expect sales at the high-end retailers to be modestly higher in 1998 compared with a year ago, but that's a disappointment after a few years of outstanding growth.

Last December, for instance, the high-priced department store chain Neiman Marcus saw sales at stores that had been open at least a year rise nearly 9 per cent. This year analysts expect sales to increase only about 2 per cent to 3 per cent. Sales from stores open at least a year, known as same-store sales, are considered the most accurate measure of a retailer's strength.

Many shoppers are buying fewer big-ticket items, while others are looking for less expensive gifts.

"This year it's been smaller things," said Sunil Tolani, manager of the Gianni Versace store at The Forum Shops. He said many more customers were buying accessories rather than clothing.

Todd Clickner of Grand Rapids, Michigan, works in real estate and plans to spend dlrs 3,000 to dlrs 10,000 this Christmas at stores like Gucci.