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DHAKA, FRIDAY, DECEMBER 25, 1998

PM calls for raising agri output, adding new items to export list

Prime Minister Sheikh Hasina has called for increasing production particularly of agricultural products and add new items in the export list to raise overall earnings of the country, says UNB.

"We've to identify and add new items for export, look for new markets and increase production to increase export," she said, presiding over the National Committee Meeting on Export at the International Conference Centre here yesterday.

Hasina said since Bangladesh's economy is based on agriculture, "We have to increase agricultural production not only to meet the domestic demand but also for export."

There is now tremendous scope for boosting export of vegetables following the commissioning of the Bangabandhu Jamuna Bridge, she added.

The Prime Minister emphasised on inducing new investors and entrepreneurs in the investment field and asked

the FBCCI to play a catalyst role in this regard.

"You've to give them counsel to choose the correct field for investment, suggest possible market and create enthusiasm among the new investors," she said assuring all possible help from the government.

Referring to the agro-based industries, she said through massive production of agricultural products, including poultry and fisheries, the country will be able to meet the export target as well as the domestic nutrition demand.

Hasina also stressed the need for improving quality and maintaining the international standard to increase export.

She asked the officials to ensure marketing facilities for the small growers enabling them to sell their agricultural products and poultry at profitable rates, and also suggested cooperative system in this regard.

The meeting discussed reasons for the shortfall of export target during the July-October

quarter and identified fall of price at international market and prolonged flooding as the factor.

Country's export during this quarter was \$1655.14 million against the target of 1933.33 million dollars, leaving a shortfall of 14.39 per cent.

Referring to diversification of export items, the Prime Minister suggested utilising the prospect of exporting wastes of cattle like bone and horn.

She also asked to give due importance to leather and leather goods for increasing the volume of export.

Hasina urged the private entrepreneurs to take advantage of the government's incentive package for boosting the country's export and also innovate new fields for expanding export.

Participating in the discussion, Finance Minister Shah A M S Kibria underscored the need for increasing efficiency to expand export, saying that "long term solution is increasing efficiency."

He said industrial growth can't be sustained by giving subsidy, rather efficiency has to be increased.

Commerce and Industries Minister Tofail Ahmed explained the reasons behind the fall of export target during the July-October period.

Fall of prices at the international market and prolonged flood had resulted in the short-fall of export target, he said and hoped that this could be overcome in the next quarter.

Quoting export figures of different countries, Tofail said Bangladesh's export performance is better.

The meeting also discussed various problems of the industrial and export sectors, including processing and freezing of vegetables, transportation, and the problems of tannery industries and handicrafts.

The meeting was attended, among others, by Foreign Minister Abdus Samad Azad, State Minister for Foreign Affairs Abul Hasan Chowdhury, State

Minister for Planning Dr Mo-hiuddin Khan Alamgir, Principal Secretary to the Prime Minister Dr S A Samad, Foreign Secretary Mustafizur Rahman, Executive Chairman of Board of Investment (BOI) Farooq Sobhan, Commerce Secretary Sayed Alamgir Farooq Chowdhury, Energy Secretary Dr Towfiq-E-Elahi Chowdhury, Finance Secretary Dr Akbar Ali Khan, Bangladesh Bank Governor Dr Farahuddin and FBCCI President Abdul Awal Mintoo.

Metropolitan Chamber President Lalla Kabir, Employers' Association President Rokeya A Rahman, BGMEA President Mostafa Golam Qudus, President of Bangladesh Textile Mills Association Salman F Rahman, President of Bangladesh Frozen Foods Exporters' Association M Golam Mostafa, and Chairman of Bangladesh Finished Leather and Leather Goods Exporters' Association M A Sattar Bhui-yan were also present.



Saudi Arabian Airlines' Dhaka station recently organised an educational & familiarisation trip programme for its top selling cargo agents to Nairobi, Kenya. Kazi Saiful Alam, sales executive of Saudia, accompanied the group. Photo shows Irfanul Haq, Manager Sales & Marketing; Ishfaq Usmani, Manager-Airport Services; and Shafiq Chowdhury of Cargo Department, seeing them off at the airport prior to departure.

Govt considering incentives for RMG backward-linkage industries

The government is considering some incentives for the backward-linkage industries of garment sector facing problem for changes in the GSP rule for apparel export to European countries.

Talking to UNB yesterday after a meeting of the National Committee on Export, Commerce and Industries Minister Tofail Ahmed said although the new GSP facility based on two-stage derogation would help garment export grow substantially, the backward linkage industries of the sector would be in serious problem.

"The backward-linkage industries will face problem due to the new GSP facility and we will have to find ways to minimise the problems," he said.

Tofail said he and the Finance Minister would sit together with the industry owners who would be harmed by the new rules and assess the extent of probable damages.

"On appraisal of the problems, two of us will decide how to mitigate the sufferings of the backward industry owners," said the Industries Minister.

Replying to a question, he said the government would surely extend some sort of incentives to them, but the modes of incentive are yet to be decided.

The European Union rejected Bangladesh's appeal for continuing previous GSP (generalised system of preference) for the country. The redefined GSP comes into effect in

January. Obviating the odds arising out of the changes in GSP rules was one of top agenda of today's (Thursday) 5th meeting of the National Committee on Export with Prime Minister Sheikh Hasina in the chair.

According to the changed GSP rules, the European Union under a unilateral decision will concede two-stage derogation to knitwear and one-stage to woven garments from January 1, 1999 for the least developed countries, instead of previous provision for three and two stages.

Earlier, the Commerce Ministry had requested the EU to continue the previous GSP along with the derogation facilities until necessary backward-

linkage industries were set up in the country to feed the apparel industry, the country's main forex-earners.

EU rejected, saying the shift is not for a certain country.

The Spinning Mills Association demanded previous GSP facilities granting preferential treatment to garment exports to the European countries, saying that the new system would destroy the country's backward-linkage industries as they are now only at the gestation stage.

The leaders of the Association said country's spinning mills were able to supply 40 per cent of the yarn for exporting knitwear dresses while local textile mills hardly 10 to 15 per cent for readymade garments.

BB forms body on euro

Bangladesh Bank has formed a five-member committee to examine pros and cons of adopting euro, reports APB.

Euro, the common currency of the European Union is coming into effect from January 1, 1999.

With Bangladesh Bank's Deputy Governor Dr Mohammad Sohrah Uddin as the chief, the other members of the committee are FBCCI President Abdul Awal Mintoo, Rupali Bank MD Nozmul Hoque and Uttara Bank MD Aminuzzaman.

General Manager - Foreign Exchange Policy Department of Bangladesh Bank, A M Kazem, will act as the Member-Secretary of the committee. The committee has been asked to submit its recommendations by the end of December, said a BB press release today (Thursday).

UK trade gap narrows, but gloom persists

Relief over a bigger-than-expected improvement in the UK's trade position in October may be short-lived.

The UK's global trade deficit narrowed in October to £1.6bn - a big improvement on September's record £2.5bn shortfall. However, initial figures for trade with non-EU countries in November show a sharp rise in imports.

The October gap was lower than the £1.8bn forecast by economic analysts.

Trade Minister Brian Wilson welcomed the figures, saying they showed the UK's exporters bearing up under the international pressures.

September figures were well out of line and that Britain's exporters are continuing to fare reasonably well in the face of extremely difficult world conditions.

Neil Parker, Treasury Economist at the Royal Bank of Scotland, warned against taking the global trade figures as a cue for optimism.

Export slowdown
 His views were echoed by Gerard Lyons, chief economist at DKB who said: "The bottom line is that once you take into account the monthly deviations in these figures, the trend has deteriorated because exports have been hit and imports are

still quite robust. If this trend continues, it could eventually weaken the pound but not just yet."

Andrew Milligan, economic adviser to the asset management arm of CGU, said: "We are getting a fairly worrying picture in the divergence in exports and imports with core volume imports up 7% per annum and core volume exports up one per cent per annum."

Obviously that will continue for some time to come. "It is necessary that the US and the UK run large deficits to help Asian economies recover."

—BBC Internet

Algeria willing to import leather from Bangladesh

Algeria is willing to import some specific commodities, including leather, from Bangladesh, says UNB.

The indication came when Algerian Ambassador in Dhaka Issa Seferd Jeli called on Speaker Humayun Rasheed Chowdhury at Sangsad Bhaban yesterday.

During the meeting, they stressed the need for strengthening trade relations between the two countries.

Hyundai chosen to take majority stakes in merger with LG

SEOUL, Dec 24: South Korea's Hyundai Electronics Industry Co was chosen on Thursday to take a controlling stake in a proposed merger with LG Semicon, but LG said it couldn't accept the decision, says UNB.

US consulting company Arthur D Little Inc made the recommendation that Hyundai become the majority shareholder after the two chipmakers asked the company to help them break an impasse in their stalled merger talks.

But LG said Thursday that it couldn't agree with the consultants recommendation, a position that threatened to derail President Kim Dae-jung's efforts to restructure the country's debt-ridden industries through mergers.

Kim has already threatened to order state-controlled banks to call in loans from big businesses resisting reform, a policy reaffirmed by the Financial Supervisory Commission on Thursday.

After falling in November to work out details of the proposed merger on their own, Hyundai and LG agreed to a government suggestion that they hire Arthur D Little to study who should take control of the new company.

The merger, if realised, would create the world's second largest memory chip maker with 17 per cent of the world market. South Korea's Samsung Electronics Co would remain the biggest with a 20 per cent global share.

"LG Semicon does not regard the report by Arthur D Little Inc as a proper evaluation," said CEO Koo Bon-joon in a statement.

Koo said the Massachusetts-based consulting firm was biased in favour of Hyundai and didn't take into consideration LG's opinions during its month-long research.



American Express Bank-Bangladesh organised a trip to Bangkok where the bank held a seminar on Foreign Exchange with special presentation on the introduction of the euro. Picture shows John Smetanka, Senior Country Executive, American Express Bank-Bangladesh, Professor Muzaffar Ahmed of the Institute of Business Administration, University of Dhaka, and participants from Bangladesh.

—Adcomm photo

US economy expands steadily

WASHINGTON, Dec 24: The US economy performed smoothly last summer, expanding steadily with virtually no price inflation despite signs weaker trade with Asia was a drag, the government reported yesterday, says Reuters.

The nation's gross domestic product grew at a revised 3.7 per cent during the July-September third quarter — more than double the second quarter's 1.8 per cent pace though not quite as robust as the 3.9 per cent growth estimated a month earlier.

Economists said GDP was likely to keep growing at a brisk rate around 3 per cent in the final quarter this year before slowing in 1999. Weaker exports to Asia and possibly to other regions like Latin America are forecast to pull growth down in the world's largest economy next year.

"I think that we're going to slow down and if it weren't for these ominous clouds over much of the rest of the world it would be welcomed," said economist Paul Kasriel of Northern Trust Co in Chicago, adding he expects only a slowdown and no recession.

Separately, commerce reported that new orders for costly durable goods like cars and industrial machinery climbed in November by 1 per cent to a seasonally adjusted 190.7 billion dollars, partly erasing a 2.1 per cent decline in

October. Financial markets showed little direct response to the reports. US stock prices were strongly higher at midday, with the Dow Jones industrial average up more than 100 points, but bond prices kept tumbling lower.

Economist David Jones of Aulrey G Lanston and Co in New York said the rise in orders for big-ticket items last month showed the economy's underlying durability entering 1999.

"It is true that the manufacturing sector has been lagging due to weak exports," Jones said, but he added the orders rise showed enough demand to forestall more interest-rate reductions by the Federal Reserve well into next year.

Fed policymakers met Tuesday to consider interest-rate strategy but made no change, apparently content to wait and see the economy's direction after three rapid-fire rate reductions from late September through mid-November.

The Fed was set to issue minutes for its Nov 17 meeting of the Federal open market committee session later on Wednesday, possibly offering some insight into its assessment of next year's economic prospects.

The GDP report showed only muted price rises, implying little or no inflation pressure, the

GDP's price measure increased one per cent in the third quarter.

Kasriel said producers have no leeway to raise prices at home since cheaply priced imports are pouring in from weak economies in Asia and elsewhere that are having trouble buying American-made goods and products at current export prices.

In fact, commerce said its key reason for revising third-quarter growth down was because imports were about three billion dollars higher than it estimated a month ago while exports were 2.1 billion dollars lower.

As has been true throughout the nearly eight-year-long US expansion, vigorous consumer spending was a key factor in GDP growth during the third quarter along with brisk additions to inventories of finished goods.

The national association of manufacturers cautioned that high inventories mean orders can be filled out of existing stocks for some time and said factories were "bracing for a slowdown in 1999."

Dave Hiether, an economist for the business lobby group, noted that order backlogs shrank in November, this suggests that manufacturers will face slower growth in 1999, he added.

Iran's parliament okays bill to protect foreign investment

TEHRAN, Dec 24: Iran's parliament approved a bill on Wednesday calling for protection of foreign investments in the country's free trade zones, reports APB.

The law, approved by a healthy majority, stipulates that "the government guarantees foreign investments" in such regions as the Persian Gulf Islands of Kish and Qeshm and Chabahar port in the Oman Sea "even in case of a nationalisation drive."

The law also allows a free exchange of currency in free trade zone areas, although such transactions are banned on the mainland.

The President of Iran's Free Trade Zones, Morteza Aliviri, had lobbied hard for the law, saying "it will encourage foreigners to come and invest."

He said only 43 foreign firms are currently active in such zones, "investing below 15 million dollars," adding that "for large investments foreign companies want state guarantees."

The new law also permits operations in these areas by private insurance companies and foreign banks.

Iran, hard hit by falling oil prices, has been trying to attract foreign investment in an attempt to diversify its battered economy.

Iran's parliament passed a law last year authorising foreign firms to register representative offices in Iran for the first time since the 1979 Islamic revolution.

But the efforts have met with limited success as potential foreign investors point at many other problems such as an unstable currency and changing government regulations.

Industry Minister Gholamreza Shafiei said last month that Iran had attracted only 70 million dollars in foreign investment for the past six months.

Asian currencies close lower against dollar
 SINGAPORE, Dec 24: Asian currencies, led by the yen ended largely lower today against the US dollars, in quiet and listless half-day trading on Christmas eve, dealers said, reports APB.

In thin trades, the Asian units closed at the weaker end of a small range against the dollar, said Sam Hamid, analyst with US research house Standard and Poor's MMS in Singapore.

The yen ended lower at 116.40 against the greenback from its New York close of 115.90 and Singapore close of 116.33 on Wednesday. Dealers said the yen was stronger against the greenback in early trading but gave up its gains as Japanese bond prices dipped.

US banks named in Holocaust suit

Lawyers acting on behalf of victims of the Jewish holocaust and their families have accused two US banks of seizing their wealth during the Nazi occupation of France.

The families filed a class-action lawsuit against two leading banks, Chase Manhattan and JP Morgan, alleging that they were complicit in the seizure of wealth stolen from Jews as they were transported to death camps.

Chase Manhattan and JP Morgan are the first US banks to be named in legal action; several French banks are already facing similar lawsuits in the US courts.

A Chase Manhattan statement described the action as "unnecessary", as they were already working to reimburse with interest any Jewish customers or their heirs.

It said that only 100 accounts were in question. JP Morgan said they would examine the allegations carefully.

But lawyers claim that Chase Manhattan's Paris operation was closely allied with the Nazi regime and thrived on its patronage.

—BBC Internet

Italy cuts rates ahead of euro

The Bank of Italy has moved into line with the other 10 countries joining Europe's single currency by announcing plans to cut its key interest rate to 3 per cent.

The Bank said it would cut the discount rate to 3 per cent from 3.5 per cent on 28 December — four days before the European Central Bank in Frankfurt takes over monetary policy control in the euro zone.

The bank said: "This measure is in accordance with the decisions of the European Central Bank council on 22 December, 1998, concerning the marginal lending and deposit rates, for national central banks."

The decision was hailed by political and business leaders as the start of a new era and as a much-needed spur to the Italian economy.

Prime Minister Massimo D'Alema said: "With this decision, our country comes to the end of a long and arduous path it took, conscious of the importance of the new European challenge."

not participate in the co-ordinated rate cut to 3 per cent on December 3 to smooth the launch of the currency.

Instead, Italy's central bank governor Antonio Fazio lowered the country's discount rate by 0.5 percentage points to 3.5 per cent.

Fazio was rumoured to have ruffled feathers among European Central Bank (ECB) officials for preferring to maintain an independent line.

ECB President Wim Duisenberg said he did not "particularly like" the decision. Some analysts suggested that Fazio wanted to make the point that individual central banks would still have a say after the launch of the euro.

Economists said his decision also sprang from a fear that speculators could attack the lira in the last weeks leading up to the launch of the new currency.

Asia needs G7 type forum

PARIS, Dec 24: Asia needs a G7-type forum for an exchange of views on economic and monetary policy to help fend off future crises, reports APB.

International Monetary Fund (IMF) Managing Director Michel Camdessus said yesterday.

"They need it, they recognise that," but the problem is finding the appropriate "format for such discussions," the IMF chief told an economic seminar here.

There are more than 30 "non-cooperation groups" in Asia which in theory exist to boost cooperation but in fact are not at all effective in doing so, Camdessus said.

Nonetheless, he said he believed such cooperation would be achieved and "even some day, a single currency, why not?"

On China, Camdessus said "they are in a race against the clock" to push through reforms of their enterprises and banking system, but he did not think they were currently at risk of suffering an east Asia-type crisis.

Isuzu to slash 4000 jobs

TOKYO, Dec 24: Japanese carmaker Isuzu Motors Ltd. announced Thursday it will slash 4,000 jobs and reduce interest-bearing debt as part of a restructuring drive to shore up profitability, says AP.

Isuzu, an affiliate of US-based General Motors Corp., said the plan will help it achieve its goal of 710 billion yen (\$6.1 billion) in domestic auto sales and a pretax profit of 10 billion yen (\$86 million) in fiscal 2000.

The announcement comes amid a wave of consolidation within Japan's auto industry, which has been battered by flagging domestic demand and Asia's financial crisis.

Isuzu, one of the world's leading truck-makers, said the job reductions will be accomplished through attrition. It said it hasn't set a time frame for the cuts.

The company said it aims to reduce its interest-bearing debt worth 1 trillion yen (\$8.6 billion) by around 300 billion yen (\$2.5 billion) by March 2000. Isuzu also said it will scale back its marketing subsidiaries to 30 companies from the current 68 by March 2001.

General Motors, the world's biggest automaker, said last week it will increase its stake in Isuzu to 49 per cent from the current 37.5 per cent.

Regrets

The photo captions on Emirates certificate awarding ceremony and Saudi Arabian Airlines' certificate awarding ceremony were mistakenly interchanged with each other in yesterday's business pages. We regret the error.

—BBC Internet