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### FICCI chief on investment prospect in Bangladesh

# Political stability holds the key

Star Business Report

Bangladesh holds a good prospect for investment in the energy and computer sectors, but much of the country's economic success depends on its political stability.

Beginning with this observation, President of the Foreign Investors Chamber of Commerce and Industry (FICCI) AKM Shamsuddin yesterday said: "It appears that the five-year tenure of the parliament does not suit our temperament. If that be so, our political leaders may think of reducing the tenure. This will help build tolerance amongst the political parties. Bangladesh needs to improve its image to the investors both at home and abroad."

The FICCI chief was speaking at a discussion on "Investment prospect in Bangladesh on the eve of new millennium" jointly organised by Economic Reporters Forum (ERF) and Rotary Club of Metropolitan, Dhaka (RCMD) at Sheraton Hotel yesterday.

"Many experts reviewed our 1998 performance as a disaster. Our growth slowed down and we failed to achieve our targets. But this has to be looked at in a global and regional perspective. We would then see that '98 had not been such a bad year for Bangladesh," Shamsuddin said. The Bangladesh currency was devalued by 16 per cent in 1998, which is much better if compared with Indonesia, Pakistan, Korea, Australia or Nepal.

He hoped that despite the unprecedented 55-day flood, Bangladesh would score a four to five per cent GDP growth against the global rate of around two per cent.

Regarding the country's investment policy regime, he said that investors who were feeling contented with the friendly tax measures of FY98, were jolted by changes in FY99. Many of these changes were brought in through SROs and other executive orders.

"The marginal benefits reaped from these kinds of



FICCI President A K M Shamsuddin speaks at a talk organised by ERF and Rotary Club of Metropolitan, Dhaka, at a city hotel yesterday.

changes are far less than the extent of damage they can cause," said Shamsuddin. "The competing countries are likely to point to such volatility in our policies to woo investors away."

He said the business community should be consulted before bringing any such changes in the tax regime. "This will enhance investor confidence and build mutual trust which would be beneficial for all concerned," said the FICCI chief.

Shamsuddin said mundane laws and frequent changes in policy shatter investor confidence.

"If we want investment, we need to have an investor-friendly tariff structure. The present trade-oriented system can be replaced with a rational and balanced system that will

encourage investment without sacrificing competitiveness." Shamsuddin was in favour of removing the tariff anomalies and curtailing discretionary powers of the lower and mid-level officials.

"The present tariff value system should be replaced with a comprehensive Pre-shipment Inspection (PSI), he said."

Reminding that the country could save Tk 30 billion per year by closing down the SOEs, he said that the government could change the economic graphics of the country by utilising this money.

"By annoying a few thousand SOE workers, the government can benefit millions," he said.

Dhaka has also the potentials to develop as a regional hub for air transportation,

Shamsuddin said. "Many European airlines are willing to come to Dhaka if modern aviation facilities are made available."

Dwelling on the legal regime, Shamsuddin said the rule of law should be enforced and the age-old legal system reformed immediately.

"The enactment of an appropriate law to protect Intellectual Property Rights cannot wait any longer," the FICCI chief said, adding that without deregulating the high-speed data transfer system and opening up satellite communication, software export would be a far cry for the country.

Shamsuddin took a firm stance against currency devaluation as a measure to boost exports.

"Statistics show that our ex-

port did not increase because of taka devaluation," he said, adding that when a country's export was heavily dependent on imports, devaluation of its currency would prove counter-productive.

The FICCI president also wanted a five-year moratorium on trade union and different service associations to expedite economic recovery.

Citing the example of the Chittagong Port, he said: "We could go a long way if trade union activities were stopped for a certain period."

Chaired by Farid Hossain, President of RCMD, the function was attended, among others, by Shamsul Huq Zahid, president of ERF, Rotarian Jagul Ahmed Chowdhury offered the vote of thanks.

# Pangaea pledges to help develop capital market

Star Business Report

Pangaea, a US-based investment bank, will help develop Bangladesh's capital market through offering consultancy service and raising fund, Eric Postel, Senior Partner of Pangaea Partners Ltd, said yesterday.

"We have chosen Bangladesh, considering its capital market which has vast potential," Postel told a news conference.

He said his merchant bank had set up Pangaea Partners Bangladesh Ltd under a joint venture with a Bangladeshi company. The company will encourage Bangladeshi firms to float and initial public offerings (IPOs), he said.

Pangaea has involvement in capital market development in Tanzania, Jordan, Uganda and

Tunisia, Turkey, South Africa and Zambia.

BSS adds: Postel expressed his view that Bangladesh with its present socio-economic condition improved a lot in terms of its huge potential to become an emerging market for foreign investment as well as business.

"We thought that Bangladesh is now a stable place for business and investment and that was why we had opened our office in Dhaka last year," Postel, Chairman of Pangaea Partners, said.

Pangaea Partners Bangladesh Limited, a joint venture financial services body with the US based investment banking and consulting organisation Pangaea Partners Limited, is working on fund raising and financial advice, privatisation

and transactions for buyers and sellers, capital market development and consulting services with training for commercial and export banks in Bangladesh.

"We are now consulting on a private sector airline in Bangladesh," Postel said, adding that foreign investors interested to invest in gas and oil sector in Bangladesh had also contacted Pangaea for consultation services.

Irshadul Islam, Chief Executive Officer of Pangaea Bangladesh Limited, was also present at the press conference.

The Pangaea Chairman, who arrived here yesterday and is expected to leave on January 9, will meet senior government officials and business leaders during his stay in Bangladesh.

# Pak nat'l debt 91.2 pc of GDP

By Syed Talat Hussain

ISLAMABAD, Jan 3: Pakistan's national debt burden has become an albatross taking the economy down.

The debt profile is frightening because national debt is 91.2 per cent of the Gross National Product.

According to the latest report of Pakistan's semi-autonomous central bank, the State Bank of Pakistan, released Thursday, the total national debt is Rs 2,518 billion whose servicing the report terms a national problem.

One of the primary reasons for increase in debt is heavy borrowing and short term loans which have traditionally been used by successive governments in Pakistan as emergency economic bail-out measures.

Borrowing is also done bridge a widening gap between revenue and expenditure, which

has been a bane of Pakistan's budgetary planning, unable to meet the deficit by raising revenue. Last year, covered by the report which is used as a balanced barometer for assessing the state of the national economy, Pakistan's revenue collection fell.

The report lays the blame for this revenue shortfall at the Central Board of Revenue's doorstep, which is being managed by a specialist the Nawaz Sharif government hired at an exorbitant salary (six lakh rupees a month) to improve the Board's performance.

According to the report, the CBR's revenue declined from 12.4 of the GDP in 1995-1996 to 10.6 in 1997-98. But there are other problems as well for which revenue shortfall takes place which in turn creates the grounds for heavy borrowing

inflating national debt. Tax evasion is common and the tax collection system is inefficient.

Prime Minister Sharif on various occasions announced schemes to streamline the system but little has changed on the ground. Moreover, official non-productive expenditure is still enormous and many of the Prime Minister-sponsored national austerity campaigns have been total failures.

The fleet of ministers, top civil and military bureaucrats continue to enjoy immense privileges costing the state exchequer a packet. "It is a classical case of borrowing more to spend more," says Aamir Najaf, an Islamabad-based economic analyst. "Everyone knows about its consequences, but no one wants to do anything about it in all earnest."

### Construction of Laphartz Surma Cement factory begins soon

SYLHET, Jan 3: The construction work of the Laphartz Surma Cement Limited, the largest and most modern cement factory in the country, will begin at Chhatrak thana here soon, reports UNB.

Earth filling work and survey of the factory will begin during the current winter season. The factory, undertaken jointly by Laphartz, a French company and Islam Group of Bangladesh costing about Tk 2000 crore will be built on 79.44 acres of land at Noarai and Fakirtilla mouza of the thana with the annual production capacity of 12 lakh metric tons.

Meanwhile, an understanding relating to land transfer has been reached among the landowners, factory authority and the government.

### MBM programme begins at BIBM

Star Business Report

The inaugural ceremony of the 3rd 2-year Masters in Bank Management (MBM) programme was held at the Bangladesh Institute of Bank Management (BIBM) on Sunday, says a press release of the institute issued yesterday.

Dr Mutinul Islam, Director General of BIBM presided over the function. In his presidential speech Dr. Islam underscored the importance of such programme which are now internationally recognised and said that to survive in a competitive banking world improvement of professionalism in the sense of developing an appropriate manpower, expertise and experience was the most important prerequisite.

# New European currency makes its int'l debut today

SINGAPORE, Jan 3: Europe's new single currency will make its international debut in Asia on Monday, but analysts say trading will hinge on the greenback's strength, reports AFP.

The regional currencies were poised to enjoy some strength against the dollar with the introduction of the euro on January 1, but Asian governments want currency stability to

maintain export competitiveness, they said.

Philip Wee, regional treasury economist with Standard Chartered Bank in Singapore, said the strong euro, a fusion of 11 European currencies into a single money, could drag down the US dollar with Asian currencies benefiting by default.

He said a higher euro against the dollar would strengthen the

yen against the greenback and lend support to the other Asian currencies.

Since late last year, the yen has set the direction of most Asian currencies, which plunged against the dollar following the mid-1997 currency crisis.

The yen began setting the pace for other Asian units especially from October when US

hedge funds faced financial difficulties and were forced to unload dollars to repay yen loans, pulling the Japanese currency to a 16-month high.

The yen appreciated by about 13 per cent against the greenback in 1995.

"Most Asian authorities, whose currencies have regained quite a bit of strength in the second half of 1998, will favour a most stable exchange rate against the US dollar at this point," Wee said.

He predicted that Asian central banks would enter the market to ensure that their currencies did not appreciate rapidly to guard the region's competitiveness in exports, regarded as the key to reviving their recession-hit economies.

Europe is seen as a crucial market for Asia's export recovery, and lower-valued Asian currencies can make the region's exports more competitive.

The South Korean central bank already acted last month to cushion the won's rapid rise against the dollar.

"The dollar is still the interventionist currency," Wee said.

Financiers expect the first real test of the euro on Monday after the new year's break, although the new currency was quoted in Bombay on Friday, the date of the currency's official launch.

Charles Wheeler, capital markets analyst at US research house standard and poor's MMs in Singapore, said he expected thin turnover against the euro in Asia on Monday until European trading began.



A woman fills in her Enalotto lottery ticket in a tobacconist in Pontedera, in central Italy, Saturday. The jackpot equivalent rate in European single currency euro is advertised in the background. 11 out of 15 European countries have joined the new euro officially launched in Brussels on Friday.



AM Anisuzzaman, Chairman of the Board of Directors of Uttara Bank Limited, inaugurates the new premises of the bank's Satmasjid Road Branch, yesterday. The Managing Director of the bank M Aminuzzaman is also seen in the picture.

— Uttara Bank photo

# ECB predicts steady start in euro trading

LONDON, Jan 3: European Central Bank officials today predicted a steady start to trading in the new euro currency on Monday and hailed its economic benefits as preparations by banks continued without apparent hitches, reports Reuters.

ECB Vice President Christian Noyer, one of the officials now in charge of monetary policy for the 11 nations that launched the euro on Friday, said Europe's single currency was in no danger of becoming too strong against the dollar and yen.

He said there was no reason to fear heavy demand for euro-denominated shares and bonds, which could lead to a strong appreciation of the euro and thereby make European exports more expensive in other currencies.

ECB board member Eugenio Domingo Solans said he expected euro-related changes to computer systems and accounts at banks and exchanges to go smoothly this weekend.

The systems and procedures have been carefully checked. If there were any failure, back-up and emergency mechanisms would take over," he told the Spanish newspaper Expansion. "Risks have been reduced to the minimum, nevertheless, I'll be crossing my fingers on January 4."

Some 50,000 staff at banks and businesses across Europe continued to spend the New Year weekend redenominating stocks and bonds into euros, adapting computer systems and converting mountains of data.

Roger Bates, Director of the EMU project team for investment banking at Deutsche Bank in London, said around 600 of the company's 6,000 employees were at work.

Meanwhile, a report from Riyadh says: The launch of Europe's first ever common currency, the euro, marks a new stage in the continent's unification and should be viewed jealously by Arabs who are unable to unify themselves, a Saudi daily said yesterday.

"With the euro Europe has unified," the Al-Madina newspaper said.

"As Arabs ... we are a little jealous of what others have managed to achieve and we have not."

### Higher market in 1998

# Wall Street owes thanks to US consumers

NEW YORK, Jan 3: Wall Street owes thanks to US consumers for helping drive the stock market higher in 1998 with little more than a hiccup from the global financial crisis, reports AFP.

The New York Stock Exchange's main barometer, the Dow Jones industrial average, was up 16.1 per cent on the year at 9,181.43 points, less than 200 points from the historic high it reached on November 23.

Last year's strong advance extended 1997's striking 23 per cent gain.

But the world's premier financial market went on red alert over the summer when the Dow plummeted 21 per cent in the last four months of the year and setting a new record on November 23.

"The big surprise was the strength of a consumer spending," said chief economist John I. Lipsky at Chase Manhattan.

In November 1997 there was a lot of disagreement over the real impact of the Asian crisis," said Lipsky. "Today there is little disagreement over the fact that the US economic growth and global growth is slowing."

Lipsky said US economic growth, adjusted for inflation, could slide to one per cent in 1999.

But 1998 showed how robust the US economy is, and how healthy its financial markets are.

During the summers sharp correction, American investors did not pull out assets they had on the market.

### Weekly Asian Currency Roundup

# Holidays, euro launch keep markets cautious

HONG KONG, Jan 3: Year-end holidays and the launch of the euro kept currency movements cautious in the past week, as most markets waited to see what the first trading in 1999 would bring, reports AFP.

Asia will be the first place to see real trading in the euro launched in 11 European countries on January 1 when the markets open across the region on Monday.

**JAPANESE YEN:** The Japanese yen rose against the US dollar in a three-day trading week, but its gains were capped as most investors were reluctant to take fresh leads ahead of the year-end holidays, dealers said. The yen was traded at 115.18-21 to the dollar late Wednesday, up from 116.15-20 yen late Friday in the previous week.

Earlier investors locked

away profits on the dollar, pushing the Japanese currency to the 115 yen level, but gains were limited as most investors were cautious.

Sentiment "remained in favour of dollar-selling," a dealer said, "but trading is very thin and no one is really willing to test the dollars downside."

**AUSTRALIAN DOLLAR:** Trading in Europe's new currency euro and domestic data were expected to influence the Australian dollar in the first full week of 1999.

"As well as the euro, there are three key indicators to dominate domestic financial markets in the coming week," Colonial State Bank economist Craig James said.

Trade figures are due Tuesday with retail spending data on Wednesday and building ap-

provals on Thursday.

James said the euro was expected to debut with the Australian dollar worth about 52 euro cents.

The flood of data and the introduction of the new currency would be a welcome relief following the holiday break, according to James.

"These developments are likely to add some depth to markets following the thin conditions present between Christmas and New Year," he said.

The Australian dollar closed a shortened local trading week Thursday almost a third of a US cent stronger at 61.40 US cents from 61.03 cents the week before.

On the Reserve Bank's trade weighted index, the currency ended the week at 53.0 from 52.8 the previous week.

**HONG KONG DOLLAR:** The Hong Kong unit closed on Thursday at 7.7466-7.7476 to the US dollar compared to 7.7445-7.7455 the previous week.

**SOUTH KOREAN WON:** The won strengthened to close the year's trading at 1,203 won per dollar Thursday from 1,206.80 won on Saturday of the previous week.

South Korea's current account surplus widened to 37.2 billion dollars in the 11 months to November, casting a new glow on the economy which slipped into crisis a year ago.

The growing surplus reversed a deficit of 11.7 billion dollars during the same 11-month period last year, the central Bank of Korea (BOK) said.

**TAIWAN DOLLAR:** The Taiwan dollar rose slightly against the US dollar over the week,

finishing at 32.216 on Thursday up from last Thursday's 32.243. Dealers said the Taiwan currency was expected to stabilise over the short term.

**THAI BART:** The Thai baht ended the holiday — shortened week stronger at 36.60-65 units to the dollar compared to its level of 36.95-37.00 on Monday.

The baht which triggered the Asian crisis in 1997 with its de facto devaluation, has had a volatile year, climbing steadily from its year-low of around 55 to the dollar in January.

**NEW ZEALAND DOLLAR:** The New Zealand dollar closed on Thursday worth 52.73 US cents, up from 52.10 cents a week earlier.

Dealers said the Kiwi traded in a narrow range over a very quiet holiday week. They said the currency was bullish going into the new year.