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The Daily Star BUSINESS

DHAKA, SATURDAY, JANUARY 9, 1999

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Int'l price fall, global economic recession

Raw jute exports down 50 pc

By Rafiq Hasan

Raw jute export from the country fell by more than 50 per cent during the current fiscal compared to the figure of the previous fiscal year.

Only 6.13 lakh bales of raw jute was exported from the country during July-December period against 12.76 lakh bales during the corresponding period of the previous year, according to sources at Bangladesh Jute Association (BJA), a platform of the raw jute traders and exporters.

Export earnings from the jute sector also declined by more than 50 per cent, coming down to Tk 112.69 crore this fiscal from Tk 236.65 crore of the last fiscal year.

According to jute exporters, price fall in the international market, less import by major jute-buying countries and an economic recession throughout the world were the main reasons for decline in export earnings.

They said that China and Pakistan were the two major importers of raw jute from Bangladesh. But this fiscal,

they bought an insignificant amount of raw jute.

China imported only 45 thousand bales of raw jute during July to December against 5.43 lakh bales of the corresponding period of last year. Pakistan, the other main purchaser, imported 1.91 lakh bales this year against 3.13 lakh bales of the previous year.

On the other hand, raw jute import by India was recorded at 1.70 lakh bales during the same period this year against an import of 1.80 lakh bales last year.

Jute exporters, however, hope that India would buy around 5 to 6 lakh bales this year because of around 30 to 35 per cent production shortfall there.

Due to a dull export market, the traders are in a bad situation with their stocks. They are burdened with around 7 to 8 lakh bales of jute," said Rezaul Karim, Vice President of BJA.

State Minister for Jute A K Faezul Huq admitted the fall in raw jute export and said that the government was mulling over sending a delegation to

some Jute-importing countries to persuade them into buying more jute from Bangladesh.

"We have already discussed the matter with the Chinese ambassador in Dhaka and hope that they would very soon start buying raw jute from Bangladesh in large-scale," he said.

"A high-powered government delegation is likely to visit China and other importing countries during the later part of next month," he informed The Daily Star.

"If the Chinese buyers start buying jute, it will definitely boost the market again," the minister hoped.

Rezaul said that the government-owned mills could buy the piled up jute on a deferred payment basis to bail out the traders from this fallen situation. He also demanded a 10 per cent incentive for the jute exporters, a facility, which has been declared for jute goods exporters.

Bangladesh Jute Mills Association (BJMA) sources said that jute goods export by private mills had declined by about 20

per cent this year.

The reason of the export fall was mainly due to drastic price slump in the international market. Jute price in the global market fell by around 35 per cent on an average.

"An economic recession, now prevailing all over the world, is one of the major causes for which earnings from jute goods export declined drastically," said an official of Bangladesh Jute Mills Association (BJMA).

According to him, the price of jute sackings went down to \$36 per 100 bags from US\$ 48 earlier while price of hessian declined to US\$ 16 from 22 dollars earlier.

On the other hand, the price of jute yarn has come down to \$500 from \$ 750 per ton. The average rate of jute carpet backing cloth declined to 42 cent from 52 cent per 100 yard.

There are a total of 40 privately-owned jute mills. Of them, 35 are running and rest have already been closed down.

Meanwhile, jute goods export by the government mills

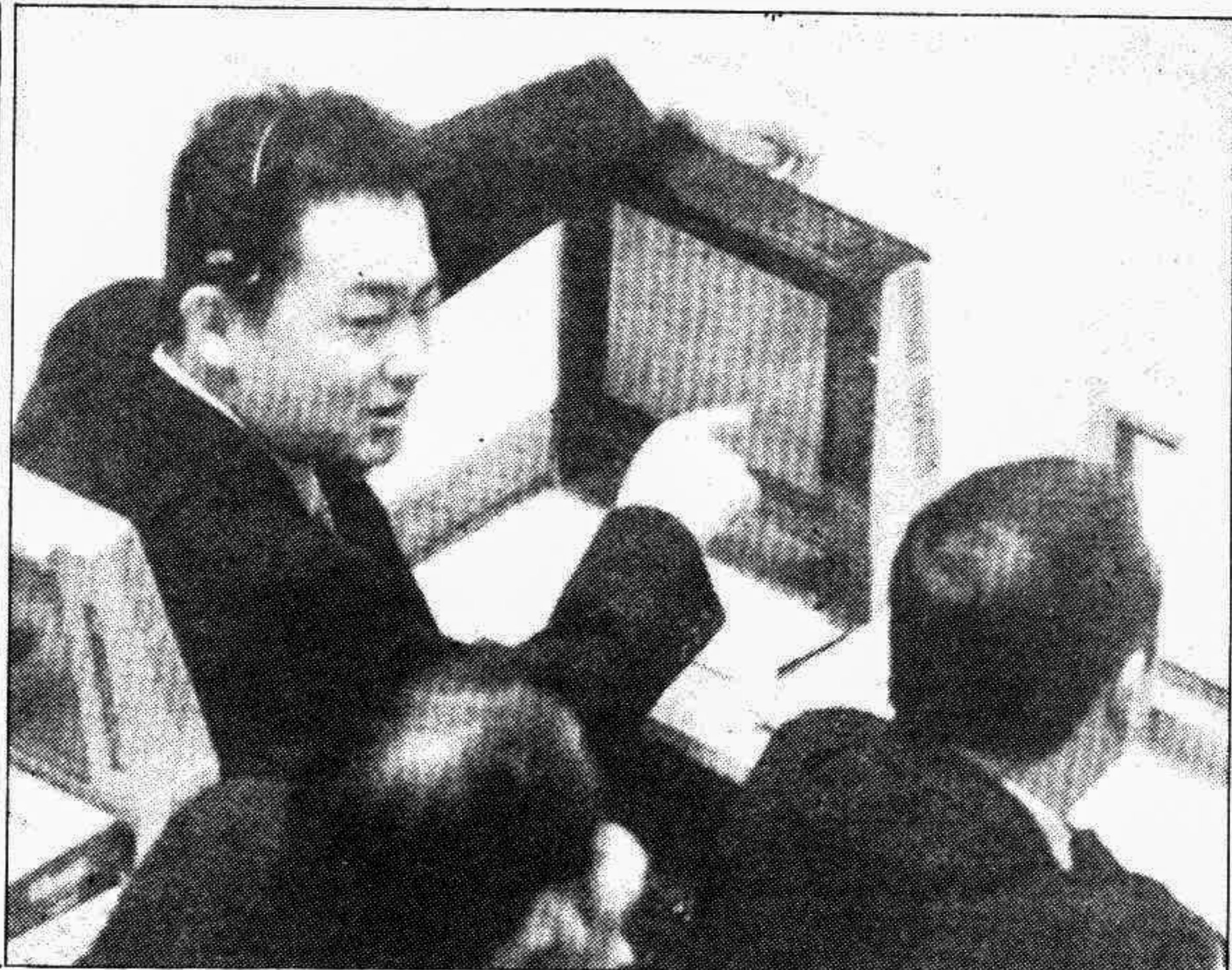
increased in terms of both volume and value.

During July-November of the current fiscal, the export figure went up to Tk 232 crore, up against the previous year's Tk 168.86 crore. This was earned by exporting 93,306 MT of jute goods.

Last year's jute export volume was, however, 57,506 MT. According to a BJMA official, the export figure of Bangladesh Jute Mills Corporation (BJMC) did not fall as it supplied goods on credit to some African countries.

We sell our products according to international market rates. But the state-owned mills supply products on credits under deferred government-to-government agreements. That's why their figure is always higher than that of us."

The BJMA official appreciated the government's declaration of the 10 per cent incentive on jute goods exports. "It would reduce the existing gap between the exporting price and manufacturing cost of the jute goods," he said.



A Tokyo Stock Exchange trader points a stock price monitor screen to confer with his colleagues Friday morning, as Japanese stock prices fell on concern about the outlook for profit growth amid continued volatility in global currency markets. The benchmark 225-issu Nikkei Stock Average slid 185.24 points, or 1.37 per cent, to 13,351.32 points at the end of morning trading. — UNB/AP photo

Birds make Beijing sky risky

BEIJING, Jan 8: Flocks of birds are threatening aircraft safety at Beijing's International Airport, interfering with flight paths and even forcing the airport to suspend operations on one occasion, says AP.

A large flock of swallows crowded runways at the airport one day last September, forcing a suspension of all flights in and out for more than two hours and "causing massive financial losses," the Xinhua News Agency said.

The problem comes despite more than three million yuan (US\$ 360,000) spent on equipment to scare the birds off, Xinhua said in a report late Thursday quoting the Science Times newspaper.

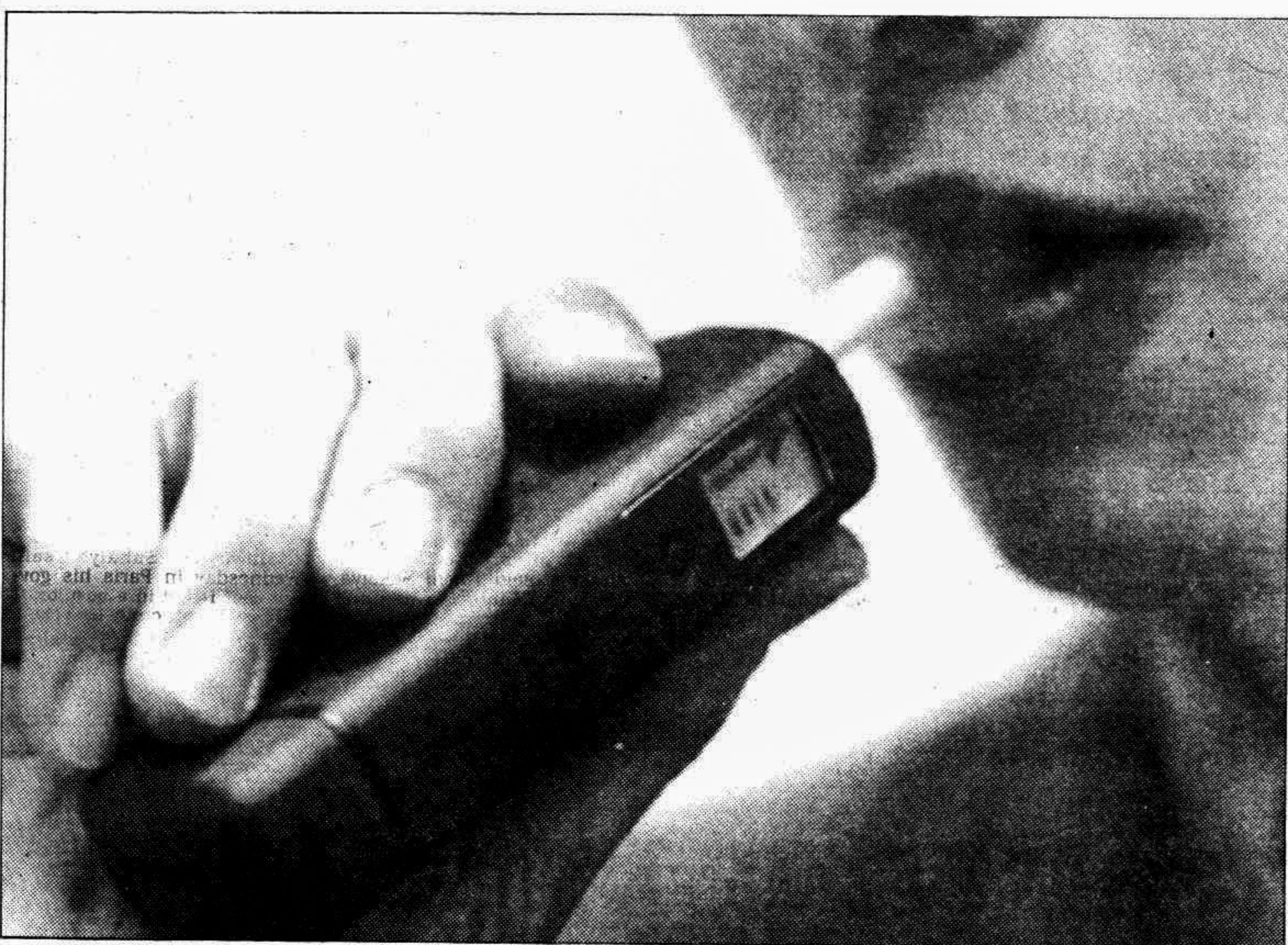
"A number of modern devices using solar energy and computers were bought from the United States last April but are not as effective as expected as the birds quickly got used to them and ignore them," Xinhua quoted Du Qingren, an airport official, as saying.

EU jobless rate steady at 9.8 pc

BRUSSELS, Jan 8: Unemployment in the 15 countries of the European Union was steady at 9.8 per cent in November, unchanged from the figure for October, the EU's statistics office Eurostat reported yesterday, says AFP.

In the 11 countries of the euro zone, the rate of unemployment was steady at 10.8 per cent.

Twelve months ago thereat in the 15 countries was 10.5 per cent and in the 11 countries 11.6 per cent.



A smoker demonstrates the new "Digital Smoking" system which produces less smoke, odor and ash at the headquarters of Philip Morris K K, a subsidiary of American tobacco manufacturer Philip Morris International Inc, Friday. Upon inserting an exclusive cigarette "Oasis," the black digital lighter detects the change in internal air pressure and a built-in heater cartridge is activated instantly to electrically heat up the tobacco. Without lighting it the smoker can taste the flavour and aroma as the heated air passes through the tobacco. The "Non-smoker friendly" system will be sold at 11 stores in Osaka, western Japan experimentally from Monday. The digital lighter is sold at 5,000 yen (\$45) and a pack of 20 Oasis cigarettes at 300 yen (\$2.7). — UNB/AP photo

Fourth UK rate cut in a row

LONDON, Jan 8: The Bank of England yesterday surprised markets with its fourth interest rate cut in a row, citing the slowdown of the British economy and subdued international inflationary pressures, reports AFP.

The bank cut its base rate by 0.25 basis points to 6.0 per cent, which is still double the rate of 3.0 per cent inside the euro-zone snubbed by Britain.

Shares rallied immediately after the surprise announcement, but the pound remained stable.

The bank said in a statement: "Since the (monetary policy) committee's December meeting, domestic data and survey evidence have, on balance, shown a continuing slowdown in the UK economy."

It added that the labour market "seems to have reached a turning point," with tireless calls for higher wages from British workers easing as economic slowdown here looms.

And the bank said that "the risks from the international environment remain clearly on the downside," plummeting commodity prices have raised the spectre of deflation in the global economy, which itself faces reduced growth in the wake of the Asian and Russian financial meltdown.

Business welcomed the reduction but said that further cuts would be needed to head off recession here.

The chief economic advisor to the Confederation of British Industry (CBI) employers' group, Kate Barker, said: "A further quarter point cut is welcome in itself, but is unlikely to dispel industry's new year blues. Further interest rate cuts will be needed to ward off the danger of outright recession."

Like other industry bodies, the CBI called for British rates to fall to five per cent later this year.

The Deputy Director General of the British Chambers of Commerce, Ian Peters, said: "With the danger of recession in 1999 now a major concern, British business will applaud this decision."

He added: "Our ultimate objective must be to bring UK interest rates into line with our European competitors in the new euro-zone as soon as possible, both to maintain the competitiveness of British business and to enhance the prospect of the UK joining the single currency at the earliest opportunity."

McDonald BD starts hybrid paddy seed production

Star Business Report

McDonald Bangladesh Private Limited has started production of hybrid paddy seeds this month on a trial basis.

The seed production project was undertaken on 10 acres of land at Birganj in Dinajpur district," said Sarwar Kamal, managing director of the company.

While talking to The Daily Star following a projection meeting of the company at a city hotel yesterday, Kamal said that around 8 metric tones of hybrid seeds would be produced in the first phase.

McDonald Bangladesh is one of the four local companies which got permission from the government to produce and market hybrid paddy seeds.

The company has started production of the Lakhnath 503 variety which was developed by India.

McDonald Bangladesh had taken the initiative to produce hybrid seeds locally much earlier than the government planned time schedule.

While giving the permission for marketing imported hybrid seeds in September last year, the government had put a condition that the permitted companies would have to produce seeds within three years.

The projection meeting was addressed by Dr SD Chatterjee, General Manager, West Bengal State Seed Corporation.

He elaborated on the various advantages of hybrid paddy developed by his company.

McDonald Bangladesh, the local agent of the West Bengal State Seed Corporation, has already marketed around 20 tonnes of hybrid paddy seeds in Bangladesh.

Bangabandhu Bridge a boon to N dists Entrepreneurs exploring project possibilities

NATORE, Jan 8: With the commissioning of the Bangabandhu Jamuna Bridge and the inauguration of the 55-km Bonpara-Nakla-Hatikumrul link road, north-western districts started to see the blues sky with potential entrepreneurs visiting the region, says UNB.

Investors both from home and abroad are now visiting the industrially backward northern region to assess the prospect of industrialisation.

"Not only new entrepreneurs, but also the owners of laid-off local mills in Rajshahi division are trying to reopen their closed industrial units," said president of Natore Chamber of Commerce and Industries (NCCI) M Aminul.

He said the investors from other cities, including Dhaka and Chittagong, were looking for suitable sites to set up industries in the region and almost all important business centres in the region were already witnessing a spurt in commercial activities.

He said businessmen in the region started to renovate their markets, shops, and business centres with a renewed zeal after the commissioning of the Bangabandhu Bridge and inauguration of the road.

"Linking of the bridge with the proposed Asian Highway would further accelerate the pace of development in the region, removing unemployment

problem in 5-7 years," the NCCI president observed.

Referring to the huge petroleum reserve in Gurudaspur and Shingra detected in 1980, Haque said exploration for mineral resources from the region, particularly from the Gurudaspur and Shingra sites, are needed in the greater interest of the country.

He emphasised the need for bringing all the 16 northern districts under the gas supply network as early as possible.

Meanwhile, farmers of the region, who meet the country's maximum requirement of food-grains, vegetables and other agri-products are now getting better return.

Cardoso, who was over-whelmingly re-elected to a second term last October, pledged to trim 28 billion reals, or \$23 billion, off the deficit in 1999. In return, international lenders approved a \$ 41.5 billion aid package — provided the government meets its targets.

Francisco's moratorium now makes that less certain. "This will certainly damage Brazil's situation, especially in terms of image," said Antonio

Correa de Lacerda, head of the Federal Economy Council. "A moratorium will lead to a loss of credibility and to greater difficulties in attracting foreign capital."

Francisco says the terms negotiated last year require Minas Gerais to pay \$ 67 million a month, or 11-13 per cent of monthly revenue.

The state's total debt is about \$ 15 billion, to be repaid over 30 years at reduced interest rates.

Other governors already are following suit. Gov. Olivio Dutra, of the far southern state of Rio Grande do Sul, says his state's debt is "unpayable." Others plan to seek better terms if Francisco gets them.

The federal government says that states benefited by renegotiating their debts. Minas Gerais alone saved 380 million reals, or about \$ 315 million, this year.

If Francisco breaks the agreement, the government could retaliate by withholding federal funds for the state.

"Agreements were made to be kept," said Finance Minister Pedro Malan.

Underlying the confrontation is a grudge that began in 1994, when then-President Franco gave then-Finance Minister Cardoso the task of ending 2,700 per cent annual inflation.

The result was the Real Plan, which was so successful that it propelled Cardoso to the presidency that year. Franco, known

WB okays \$ 1b in loans to Brazil

WASHINGTON, Jan 8: The World Bank approved two loans totalling \$ 1.01 billion Thursday to help Brazil stabilise its economy after it was threatened with collapse last year.

The government is expected to use the funds to provide health care to the poor and reform its pension system, says AP.

The loans are part of a \$ 41.5 billion package in emergency loans to Brazil assembled in November by the International Monetary Fund and other lenders so Latin America's largest economy can try to avoid the currency collapse and high inflation that has devastated Asia and Russia.

A World Bank statement said the two loans, for \$ 757.5 million and \$ 252.5 million, were to be disbursed immediately after approval by the Brazilian Senate, expected

soon.

The statement said the bank's support programme for Brazil was designed to protect the gains made by the poor since President Fernando Henrique Cardoso's government lowered inflation from 50 per cent in 1994 to two per cent in 1998. The programme also aims to improve government's ability to finance high priority social programmes such as pension reform.

To obtain the IMF loan package, Cardoso had to impose an austerity programme calling for more taxes and spending cuts of \$ 84 billion over the next three years.

A World Bank spokesman said the two loans will have five-year terms with an interest rate of nine per cent, higher than normal bank loans.

Only 40pc of Vietnam SOEs make profit

HANOI, Jan 8: Only 40 per cent of Vietnam's 5,429 State-Owned Enterprises (SOEs) made a profit over the past three years, the Thanh Nien newspaper reported Friday, reports AP.

It said a survey by the General Department for Management of State Funds and Properties showed that business efficiency of the enterprises declined during the period, with the falls ranging from 8 per cent to 22 per cent.

In Ho Chi Minh city, the country's economic engine, the ratio of profit to capital invested declined from 19 per cent in 1995 to 15 per cent last year.

The department blamed the state sector's low efficiency on low competitiveness, poor performances and inappropriate investment structures, the paper said.

The government has stressed that the state economic sector must play the leading role in the national economy.

Weekly Currency Roundup

The previous week (January 03-07) started with moderate activities in the interbank money market due to the New Year. Demand for dollar started picking up from Tuesday and high demand for dollar prevailed till the last working day of the week. There were a few deals in euro against dollar. The first euro/USD deal was done between the Standard Chartered Bank and Arab Bangladesh Bank (Source Reuters). Most of the euro deals generated from trade settlements denominated in national currency units (NCU). Deterioration of the dollar supply due to decreased inward remittances and increased import liabilities ignited the demand for the greenback demand among corporate clients also played its role to prop up dollar demand. In the interbank market, dollar traded between BDT 48.6500 and BDT 48.6520. Banks sold a unit of dollar to the importers at BDT 48.75 and purchased the same from the exporters at BDT 48.3150. The average daily turnover was around BDT 20,035 million (Source: Bangladesh Foreign Exchange Dealers Association).

In the informal market demand for the greenback was high. In the kerb market, one unit of cash dollar traded between BDT 48.70 and BDT 49.00.

On January 3, Bangladesh Bank accepted the following Treasury Bills:

Amount (Million)	Tenor	Average Yield (Percentage)
4755	28 days	7.97
58	91 days	8.7
200	364 days	10.03

On Monday, Bangladesh Bank accepted Tk 5010 million payments against treasury bills and treasury bills worth BDT 5090 million also matured on the same day. The money market was liquid as the amount matured was higher (by Tk 80 million) than the amount paid. Unlike during Ramadan of previous years, money market was in a comfortable state as the government was prudently matching its expenditures. In addition to these, restrictions kept the demand for funds among banks moderate.

In the international markets, euro made its debut on a quiet and firm footing but gradually slipped against dollar as the market was apprehensive about the slowdown of European economic growth. The yen reached a 27-month high and fluctuated between 110 and 112 level against dollar. Dollar was also hurt by impeachment trial against Bill Clinton dismal Brazilian economic outlook. This bullish trend of yen is expected to continue due to expectations of Japanese capital repatriation. The shrinking premium that the Japanese investors were getting to keep their money abroad is expected to make the country's domestic assets more appealing. On Thursday, the Bank of England cut the interest rate to 6.0 per cent from 6.25 per cent at its regular Monetary Policy Committee meeting, which had a delayed effect on pound-sterling, pulling it down from 1.65 to 1.64 USD level.

The high and the lows of the major currencies during the week are:

Currencies	High	Low
Japanese yen	109.77	113.25
Euro	1.1906	1.1550
Pound-sterling	1.6718	1.6458

The pound-sterling fluctuated by 1.57 per cent against dollar, euro by 3.08 per cent, and yen by 3.07 per cent. — Standard Chartered Bank

Old grudge fuels Brazilian economic meltdown

RIO DE JANEIRO, Brazil, Jan 8: Resentment, rivalry and a high-stakes game of political brinkmanship. The roots of Brazil's latest economic crisis are unusual, but the threat to the global economy is real, reports AP.

President Fernando Henrique Cardoso faces the toughest challenge yet to his plan to slash a \$ 65 billion budget deficit and shield Brazil from a financial meltdown.

Opposing him is Itamar Franco, Cardoso's predecessor and one-time friend. Now governor of Minas Gerais, Brazil's third-wealthiest state, Franco has broken with his former finance minister and emerged as his chief gadfly.

On Wednesday, two days after taking office, Franco declared a 90-day moratorium on the state's debt payments to the federal government, alleging an "absolute lack of money."

The news of more instability in Brazil sent stock markets down Thursday from Tokyo to London. The Sao Paulo Stock Exchange, Latin America's largest, shed Wednesday's gains and plunged 6.7 per cent before recovering slightly at closing.

The price of Brazil's debt bonds also fell, a sign that foreigners see a higher risk in investing here.

skittish ever since the market crisis that hammered Asia and Russia shifted here.

Since last July, nearly \$ 40 billion left the country amid fears that Brazil wouldn't be able to cover its budget deficit and might default on loans.

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