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DHAKA, SATURDAY, JANUARY 16, 1999

Banking reforms body report likely within a month

The Banking Reforms Committee (BRC) is at the final stage of preparing its report suggesting measures for a sound and competitive banking sector, reports BSS.

"We are hopeful to submit a compilation of over a 200-page report within a month suggesting reforms to strengthen the banking sector which will be to allocate credit efficiently and assist in accelerating economic development," BRC Chairman Wahiduddin Mahmud told the agency.

He said, "In fact we are working for the last two years and had already submitted 14 suggestions to the Finance Ministry which will be incorporated in the final reports of the BRC to the ministry for further scrutiny."

"Some of our suggestions will be different from the recommendations already given by the World Bank in its reports suggesting different reform measures for the country's banking sector," Mahmud said.

Officials at the Finance Ministry said the committee among its 14 suggestions recommended closure of losing branches of Nationalised Commercial Banks (NCBs) and downsizing of excess employees in the losing branches of the four NCBs.

The report pointed out that among the 3600 branches of the

four NCB's 1300 branches are losing. At present, about 64,000 employees are working in all branches of the four NCBs of Sonali, Agrani, Rupali and Janata banks. The problem of overstaffing had to be solved to run the banks efficiently. The committee further recommended to increase the salaries of officers and employees of NCBs along with the downsizing.

The BRC suggested for appointing a task-force to evaluate the performance of the bankers and identify the corrupt officials in both private and nationalised banks. The task-force will also identify the irregularities in the banking

sector.

The BRC has suggested for restricting the activities of CBAs to such an extent which is permissible by the law.

The highly-placed source at Bangladesh Bank, however, said the interference of CBAs in the transfer and posting of officers and employees was hampering the proper growth of a sound banking sector. It further said the due to the overriding influence of CBAs the suggestion of downsizing would be difficult.

The government is expected to issue a banking policy statement with the finalisation of the BRC report sources said.

'Forthcoming fair a prospective exposure' Entrepreneurs seek govt help to revamp leather industry

Preparing for the first ever international leather fair in Dhaka, the entrepreneurs sought government help to revamp the potential export industry out of the hurdles currently facing it, reports UNB.

Bangladesh Finished Leather and Leather Goods Exporters Association (BFLEA) has already submitted a lengthy memorandum to Prime Minister Sheikh Hasina, seeking her intervention to save the hundred per cent export-oriented thrust sector from an unmerited slowdown.

The BFLEA in the memorandum placed many suggestions that could prop up the highly prospective industry to earn Tk 4,000-5,000 crore per in foreign exchange per annum by year 2002 from the present levels of Tk 1,000 crore fetched by tanned leather and leather products.

"If the leather units now facing closure are not rescued, the sector will collapse totally leaving thousands of workers jobless and raw leather to be smuggled out to India," said BFLEA Chairman MA Sattar Bhuiyan.

Termining January 27-28 Dhaka International Leather Fair a prospective exposure to boost export of leather and leather products, he expressed the determination to reach the peak of exports by 2002 should be recommendations be implemented.

The key suggestions are:

- Introduction of a pragmatic policy for leather, leather products and footwear.
- A five-year moratorium on working capital limits and Eid advances at three per cent interest for the export-oriented tanneries.
- Twentyfive per cent benefit for the export-oriented footwear and leather goods industries like the readymade garment sector with effect from July 1998.
- Allowing the BFLEA to provide identification certificates to the genuine exporters on the basis of each consignment.
- Expediting the setting up of a water-treatment plant at Hajaribagh at government initiative.
- Annulment of peak-hour additional electricity charge.
- Abolition of the system of collecting advance tax on exports and imports.

According to the BFLEA

sources, at present there are 207 tanneries in the country. Of those, some 60 have been shut down as the owners had to face huge losses for various reasons, including wrong policies, they said.

The BFLEA Chairman thanked the government for announcing leather as one of the four thrust sectors realising its importance. Steps are on to form a "Leather Council" to expedite its export.

"Leather and leather products are not only bringing huge foreign currencies, in fact, country's 12 crore people are directly or indirectly involved with the sector as it is also based on agriculture," Sattar Bhuiyan told UNB.

During the first four months of the current fiscal to October, Bangladesh has exported leather worth 49.53 million US dollars and footwear 11.93 million US dollars. Some 85 per cent value is added to leather products.

According to the BFLEA, country's main rival in world leather markets — India, Pakistan, Thailand and Indonesia — got respective government support. It hoped the government of Bangladesh would also extend its helping hand to the leather exporters.

Business Briefs

Lowest bankruptcy in ROK since '96

SEOUL: South Korea's central bank said Friday a total of 802 companies went bankrupt in December, the lowest figure since September 1996 when 740 companies collapsed.

In November, 903 went bankrupt.

As a result, the default rate of the country's corporate bills and checks fell to 0.12 per cent last month, the lowest since September 1996 when it also stood at 0.12 per cent, the Bank of Korea said.

The bank said the number of companies going bankrupt fell because of lower interest rates, which has eased the financial burden on companies, as well as expanded lending to small and mid-sized companies.

Korea's government officials said the country's battered economy is recovering faster than expected. They said the economy will likely shift to growth this year of between 2-3.2 per cent from last year's estimated contraction of 5.5 per cent.

Mahathir to attend WEF meet in Davos

KUALA LUMPUR: Prime Minister Mahathir Mohamad will attend the World Economic Forum in Davos, Switzerland, later this month, a source said Friday, reports AP.

Mahathir will visit Zurich on Jan 28, and then head to Davos the next day for the annual meeting of business and government leaders.

He is scheduled to meet with economists, leaders from Switzerland's business community and journalists, the source said, speaking on condition of anonymity. Mahathir is also expected to make a speech at the meeting.

Mahathir is not expected, however, to meet with American financier George Soros, whom he has blamed, along with other currency speculators, for bringing about Asia's financial crisis.

Mahathir is scheduled to return to Malaysia on Jan 30.

\$11.08b raised as taxes in China

SHANGHAI: China's customs offices raised 91.73 billion yuan (\$11.08 billion) in taxes in 1998, the nation's official newspaper reported Friday.

Net tax revenue after deduction of rebates was 87.90 billion yuan (\$10.62 billion), up 2.59 billion yuan (\$312 million) from the previous year, the People's Daily said.

It said the net figure was 6.9 billion yuan (\$833 million), or 8.5 per cent, more than the year's target.

The report said the implementation of a nationwide anti-smuggling campaign in the second half of 1998 helped boost customs revenues, despite a slowdown in overseas trade. China's foreign trade slipped 0.4 per cent last year as Asia's economic crisis cut export sales to regional neighbours.

10,176 Proton cars sold in Dec

KUALA LUMPUR: Malaysia's national car distributor sold 10,176 Proton cars in December, the national news agency said Friday.

Edaran Otomobil Nasional Bhd., or EON, registered total sales of 67,597 units in 1998, Bernama reported.

Proton, short for Perusahaan Otomobil Nasional Bhd., is Malaysia's national auto manufacturer.

EON Managing Director Adnan Abdul Shab attributed the December increase in sales to improved customer confidence, which is vital to the country's economic recovery, he added.

"As little as 2,330 units were sold in February 1998, compared with 7,400 units sold in the previous year (February 1997)," Bernama quoted Adnan Abdul as saying.

In response to the tough market conditions in 1998, EON began reconfiguring its models with more choices and reprocessing its operations. It also introduced a number of innovative marketing strategies, he said.

China eyes farm income hike

BEIJING: China expects spending on rural infrastructure and distribution networks to help increase farm incomes by an average of 4 per cent in 1999, Vice Minister of Agriculture Lu Ming said Friday.

The government has made improved rural incomes a top priority, hoping that farmers will spend more and help sustain economic growth. Much of a \$1.2 trillion, three-year spending plan will go to water conservancy and forestry projects and construction of grain warehouses, roads and rural electricity grids.

China's agricultural sector needs to develop new products and technology, improve product quality and develop more value-added goods, Lu told Dow Jones Newswires.

The problem of slow growth in rural incomes isn't a problem with natural disasters or with government policies, Lu said. "It's a natural result of a transition in our economic development," — AP reports

SAARC commerce ministers to meet February 2

With the confirmation of participation from all the member states, the 3rd meeting of the SAARC commerce ministers has now been finalised to be held early next month, a competent source at the Ministry of Foreign Affairs said yesterday, reports BSS.

Prime Minister Sheikh Hasina will inaugurate the two-day meeting on February 2.

The minister's meeting, which will review the seven nation forum's (SAARC's) efforts for strengthening the regional economic cooperation, will be preceded by a meeting of the senior officials of the member

countries. The 10th meeting of CEC (Committee on Economic Cooperation) at the level of commerce secretary will be held from January 31 to February 1.

The main objective of the commerce ministers' meet is to increase cooperation in trade, commercial and economic fields among SAARC countries.

The second meeting of SAARC commerce ministers was held last year in Islamabad while the first was held in New Delhi in 1996.

The Dhaka meeting, besides reviewing the implementation of the decisions of last meeting in April, 1998, will also discuss means of overcoming any problem that stands in the way.

The source said, despite high hopes, SAPTA (South Asian Preferential Trade Agreement), has failed to achieve the expectations of the members. He even pointed out that instead of rise in the inter-SAARC trade has fallen in the post-SAPTA era.

Replying to a question, the source said intra-SAARC trade is now around four per cent of the combined two-way trade of member states amounting to over one hundred billion US dollars. Bangladesh will ask for certain concessions in respect of rules of origin so that its exports, specially garments to India could be increased.

Primakov defends proposed budget

MOSCOW, Jan 15: Prime Minister Yevgeny Primakov defended the government's proposed budget for this year, insisting Friday that it was realistic and would help pull Russia out of its economic crisis, reports AP.

At a meeting with regional governors in Siberia, Primakov snapped at Alexander Lebed, one of Russia's leading politicians, after Lebed said that the budget undermines regional interests and shouldn't be approved.

KL semiconductor industry set to pick up by June

KUALA LUMPUR, Jan 15: The semiconductor industry, which was affected by oversupply last year, was expected to pick up by June this year, Deputy International Trade and Industry Minister Kerk Choo Ting said Thursday.

Market analysts had predicted there would be "reasonable growth" in the industry after a glut that had affected several companies in the northwestern Fenseng state which had either reduced or

ceased production last year.

Speaking to reporters after visiting several factories in Taiping and Ipoh, the capital of northern Perak state, Kerk said the demand for semiconductors had revived and the industry was expected to contribute 60 per cent of the electrical and electronic export market as in the previous years before the economic slowdown.

He said the glut in the industry recently was a result of higher demand for semiconduc-

tor from the year 1995 - due to a boom in the computer industry - but that the economic slowdown in the region last year had eventually reduced the market size.

However, he said, the manufacturing industry as a whole was not much affected by the economic slowdown, especially export-oriented companies and those which utilised advanced technology.

— Asia Pulse Internet

Rangs Electronics launches renewed promotional drive

The looming market depression, especially due to last year's devastating flood, has badly hit the country's electronics market.

In the absence of any practical restriction due to open market economy, many companies came up with a view to make easy and quick profits by importing and marketing little known and sometimes spurious brands of electronic products. This has all the more weakened the electronics market in the country.

In order to maintain its present growth rate, Rangs Electronics has embarked upon renewed promotional activities by offering latest models of colour TV including flatscreen TV and incentives like 5 years warranty. More emphasis has also been laid on availability of its after-sales service, says a press release issued in city yesterday.

While inaugurating a Sales and Service Centre recently the Managing Director of Rangs Electronics, Aktar Hussain, said, "We certainly give importance to increasing our importance to our customers but at the same time we do add equal importance to making proper and quick after-sales services." Rangs Electronics is the first to offer 5 years warranty to buyers of Sony Trinitron Colour TV," he said.

At the opening ceremony of the centre, Sachin Hussain, Director of Rangs Electronics, Seng Chek Guan, Assistant Manager of the Market Development Division of Sony International (Singapore) Pte Ltd, Sabur Ahmed, General Manager, and other senior officers of Rangs Electronics and Barisal City elites were present.



Aktar Hussain, Managing Director of Rangs Electronics, opens a new sales and services centre recently. — Rangs Electronic photo

Political instability blamed Nepal treasury loses \$61.5m a year

KATHMANDU, Jan 15: Nepal's treasury is suffering an annual loss of four billion rupees (61.5 million dollars) because of corruption and smuggling, a parliamentary investigation has found, reports AFP.

The report submitted to parliament yesterday followed a nearly six-month-long probe into the loss of revenues in the past three years, a parliamentary source said Thursday.

The all-party revenue investigation committee said political instability in Nepal fuelled smuggling and official corruption and added that a lack of accountability was also to blame.

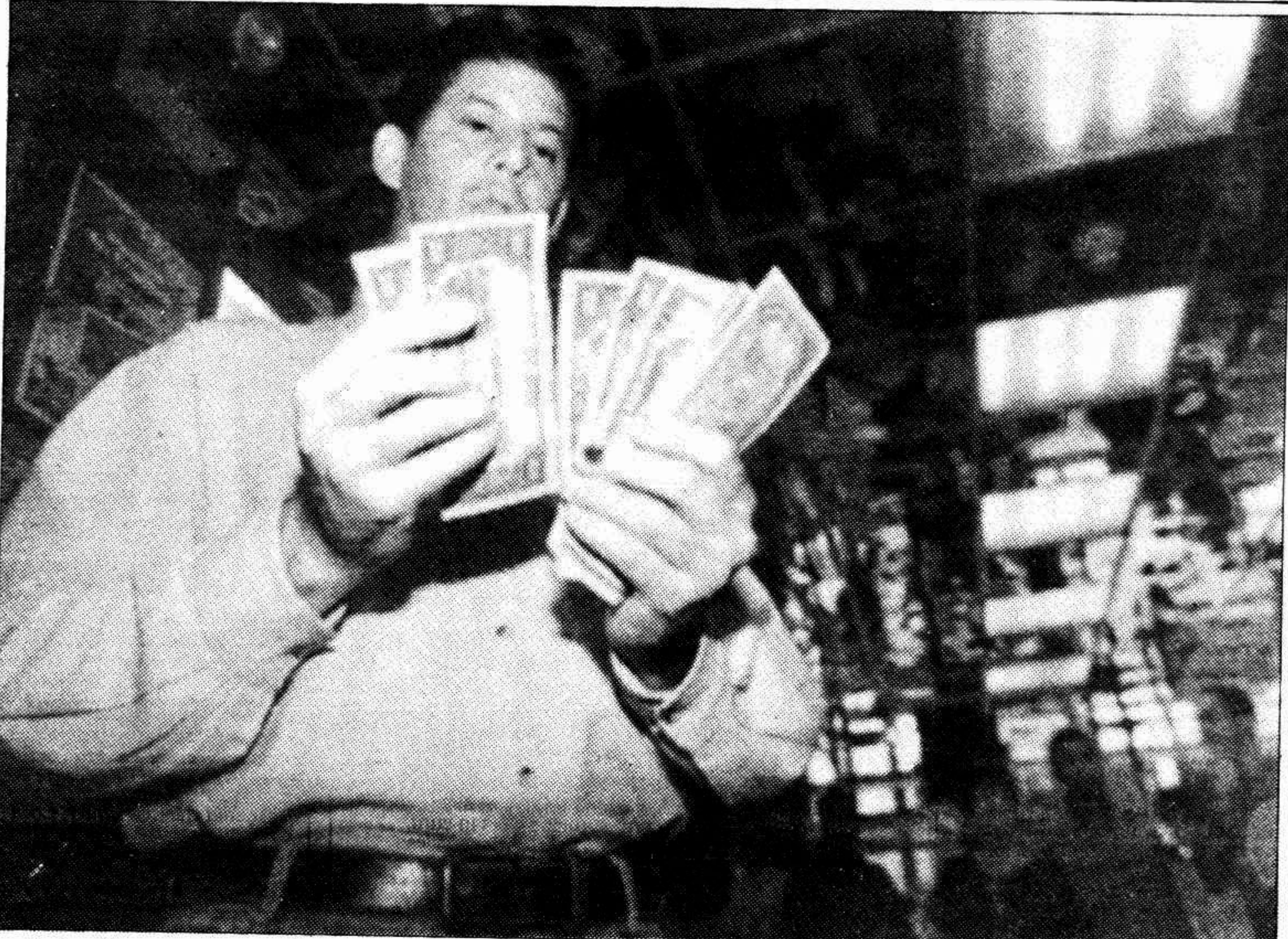
It found a "direct co-relation between shortfall in revenue and the no-trust motions (against the government) in

parliament."

"The revenue generally fell when politics was fluid, and smuggling seems to have (been) institutionalised since money was used to save governments," the report said.

Import of gold used to be one of the major revenues for the public exchequer but unscrupulous gold smugglers managed to import gold by evading customs at the Tribhuvan International Airport there, a parliamentary source said.

In the same way consumer and electronic goods are smuggled into Nepal through the 1040-kilometre-long (650 mile) Indo-Nepalese open border by evading the customs, the source said.



Carlos Bousquet counts US dollars he had just exchanged for bolivars in a foreign exchange office Thursday in Caracas, Venezuela. The bolivar closed weaker against the dollar Thursday in moderate trading as the currency market continued to ignore Brazil's financial woes, according to traders. — UNB/AP photo

India hikes duty on sugar imports

NEW DELHI, Jan 15: India increased its customs duty on sugar imports by 15 percentage points yesterday, in a bid to curb cheap imports, a senior government official said, reports AFP.

The duty was hiked from five to 20 per cent.

Revenue Secretary Javed Choudhury said a countervailing sugar duty of 850 rupees per tonne, imposed in April last year, would remain in place.

Indian Sugar Mills Association (ISMA), a trade lobby, had called for the sugar duty to be raised to 50 per cent, arguing that rising cheap imports were pushing domestic manufacturers to the wall.

India has imported some 1.1 million tonnes of sugar in the past two years — half of its from neighbouring Pakistan — and plans to purchase a further two million tonnes during the current fiscal year ending March 1999.

The ISMA warned that the import of subsidised sugar would "decimate the indigenous sugar industry."

Industry analysts pointed out that even with the duty increase imports would continue to be cheaper the Indian sugar.

Brazilian currency crisis European stocks witness volatile, nervous session

LONDON, Jan 15: European stock markets saw a volatile and nervous session yesterday as Wall Street opened lower for a second day in the wake of the Brazilian currency crisis and the fears mounted of global financial turmoil, reports AFP.

European markets rose a roller-coaster of rallies and slumps, although there was no repetition of the crash on Wednesday when markets fell by as much as four per cent in reaction to the devaluation of the Brazilian real.

Investors feared that the panic in Brazil would spread to the rest of Latin America, then knock-on to the United States, an important investor and exporter in the region, and from there to the rest of the world.

Nor was there any comfort from Wall Street's Dow Jones, which opened negatively and soon shot down 84.19 points to 9,265.37.

In Brazil, the main Sao Paulo Stock Index rose 4.14 per cent in the first minutes, only to plummet back to a deficit of

3.39 per cent.

The IMF expressed confidence in Brazil's "strong determination" to economic reforms. But analysts warned that Brazil's trouble — and the world's — were probably not over yet.

The chief economist at Merrill Lynch in New York, Bruce Steinberg, said that he expected Brazil's devalued currency band to slip further and for trouble to spread, which Latin American going into recession and US and European businesses feeling the knock-on effect.

"Shares are at stratospheric valuations at the moment and at some point there has got to be a dramatic reversal of that," he said.

London's FT-SE 100 index, which sank 3.04 per cent on Wednesday, see-sawed, rallying for much of the day, only to fall back at the Wall Street opening. The Footsie closed at 5,820.2 points, down 29.9 points, or 0.5 per cent.

Frankfurt's S-Dax index

rallied a strong 2.24 per cent in initial trading, only to run out of steam and close down 1.59 per cent at 4,902.75, adding the previous day's losses of 4.12 per cent.

The Paris CAC-40 index, which had plunged 3.46 per cent Wednesday, managed to squeeze a gain of 0.97 per cent on the day at 3,997.06.

Amsterdam shares rallied 1.34 per cent to 514.11 points, while Madrid's IBEX-35 index recovered some of its earlier losses in the day to close with a deficit of 0.19 per cent at 9,304.2 points.

On the forex market, the dollar stabilised against the euro, recouping from losses in the immediate aftermath of the Brazilian crisis.

Head of global foreign exchange research at Credit Suisse First Boston, Joe Pfreffergast, said that the "immediate stance of panic is easing."

The dollar, which had traded as low as 1.17 to the euro on Wednesday, stood at 1.1692 euro.

Why Brazil crisis matters

At first glance it is difficult to see why economic problems in Brazil are having a damaging effect on Aunt Ethel's collection of stocks and shares.

However, the financial woes in Latin America could create a wealth warning for the rest of the world.

Brazil is the largest economy in Latin America, accounting for almost half of the continent's total output, and it is the eighth largest economy in the world.

If Brazil falls into recession, it is likely to drag the rest of Latin America down with it and that could have serious consequences for world economic growth.

Crisis of confidence

Just as importantly, Brazil's financial conundrum could create a crisis of confidence on global stock markets.

Analysts estimate that about a fifth of US exports are sold to Latin America. If demand dries up, it could send exports into a tailspin and bring to an end a period of amazing growth in the

US economy.

European companies will also be hit. European banks, for example, are among the largest lenders to Latin America. If the region falls into a prolonged depression, banks could face a mountain of bad debts. Not only will that hit profits, but financial institutions will be less inclined to lend to companies or individuals, which in itself could dampen growth.

Pricking the share bubble

The UK has traditionally had fewer trading links with Brazil than some of its European partners, but London shares are still vulnerable. This is where Aunt Ethel's portfolio comes in.

Paul Mortimer-Lee, chief economist at Paribas, believes that Brazil could be the pin that pricks the share price bubble.

Stocks soared in the first week of the New Year on a wave of optimism about the world economy. Investors ignored economic warning signs from Asia and Russia and assumed cuts in interest rates around the

world would help stave off a worldwide recession.

Coming down to earth

Prices around the world have come down to earth as Brazil's problems emerged. That in itself could damage the US economy, which has been fuelled in recent years by soaring share prices. The old stock market adage goes that whenever the US sneezes, the UK catches a cold. This time the UK could catch a bad dose of the flu.

With stock valuations rising so high compared to historical levels, many economists believed share markets were heading for a fall sooner or later and it was just a matter of time before a problem like Brazil came along.

Depression looming

Brian Mullaney, global emerging markets strategist at HSBC goes further. He believes that Brazil's latest problems and the devaluation of the real will plunge the country's economy into recession.

The impact on equity markets worldwide for the time be-

ing is going to be... negative. A big devaluation will tip the economy into recession."

The devaluation will increase the value of imports, stoking inflation and creating problems for people on lower incomes. Rising prices could also limit the Brazilian government's scope to cut high interest rates, which have been crippling the economy.

Some cause for optimism

On the bright side, Mullaney predicts that a short, sharp shock for Brazil now may set it on the path of recovery next year.

Marian Bell, economist at Royal Bank of Scotland, believes financial markets are vulnerable and she is optimistic that Brazil will not trigger a worldwide collapse.

She told BBC News Online: "The US last year showed it was ready to do whatever was necessary. If we get a further fall-out on the world's financial markets coming from Brazil then interest rates will be cut again." — BBC Internet