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DHAKA, MONDAY, JANUARY 18, 1999

**Deshbandhu Sugar Mills goes private**

The state-owned Deshbandhu Sugar Mills was handed over to a private company yesterday as part of the government's privatisation programme, reports UNB.

Officials said MR Trading, a business firm of Dhaka, purchased the mill for Tk 17.70 crore, inclusive of its long-term liabilities, following an international tender for the sellout.

Chairman of the Privatisation Board Kazi Zafarullah formally handed over the letter of intent (LOI) to the buyers at a simple ceremony at this office.

Deshbandhu Sugar Mills Ltd, set up long back in 1935 in Narsingdi and brought under the Bangladesh Sugar and Food Industries Corporation after independence, is the first state-run sugar-producing unit denationalised under the current of floating process.

"It is expected the new owners of the mill will shortly reopen it after due balancing and modernisation, creating new job opportunities," the Board management said.

**FBCCI, Aussie chamber sign cooperation deal**

The federation of Bangladesh Chambers of Commerce and Industry (FBCCI) and the Australian Chamber of Commerce and Industry (ACCI) yesterday signed a joint cooperation agreement laying the foundation for promoting cooperation between the private sectors of the two countries, reports BSS.

Syed Jamaluddin, Secretary of FBCCI and Mark Paterson, Chief Executive of the Australian Chamber of Commerce and Industry signed the framework agreement in presence of president and directors of FBCCI at Federation Auditorium, an FBCCI press release said here.

The agreement consists of 8 articles in which both the chambers agree to encourage,

promote and facilitate effective cooperation and trade and establish effective means of communication between business organisations of the two chambers.

Both the chambers will exchange visits of delegations, trade and economic missions for the purpose of activating relationship and expanding trade and cooperation between their members.

According to the agreement, both the chambers would encourage the participation of their members in international fairs and exhibitions, held in both the countries.

The agreement effective from yesterday will remain in force for a period of two years and will be automatically extended unless revoked by either party with a six months prior

notice, the press release said.

Earlier, Charles Hamilton Stuart, High Commissioner of Australia in Bangladesh called on Abdul Awal Minto, President of FBCCI in the Federation office. They discussed matters of mutual interest.

A number of specific subjects came up for discussion. To reduce the trade gap, FBCCI chief urged Australia to import more from Bangladesh.

FBCCI President also briefed the high commissioner about the present government policies and urged that Australian investors should come in a big way to invest in Bangladesh.

FBCCI chief also said that social and physical infrastructure and political stability were needed for achieving higher growth rate.



Charles Hamilton Stuart, High Commissioner of Australia in Bangladesh, and Syed Jamaluddin, Secretary of FBCCI, exchange a memorandum of understanding between Australian Chamber of Commerce and the FBCCI at Federation Auditorium in the city yesterday. Abdul Awal Minto, president, and directors of FBCCI, are also seen.

— FBCCI photo

**Samad Azad to sign \$24m deal with Beijing soon**

Foreign Minister Abdus Samad Azad leaves for China January 20 on a week-long tour at the invitation of his Chinese counterpart Tang Jiaxuan, says UNB.

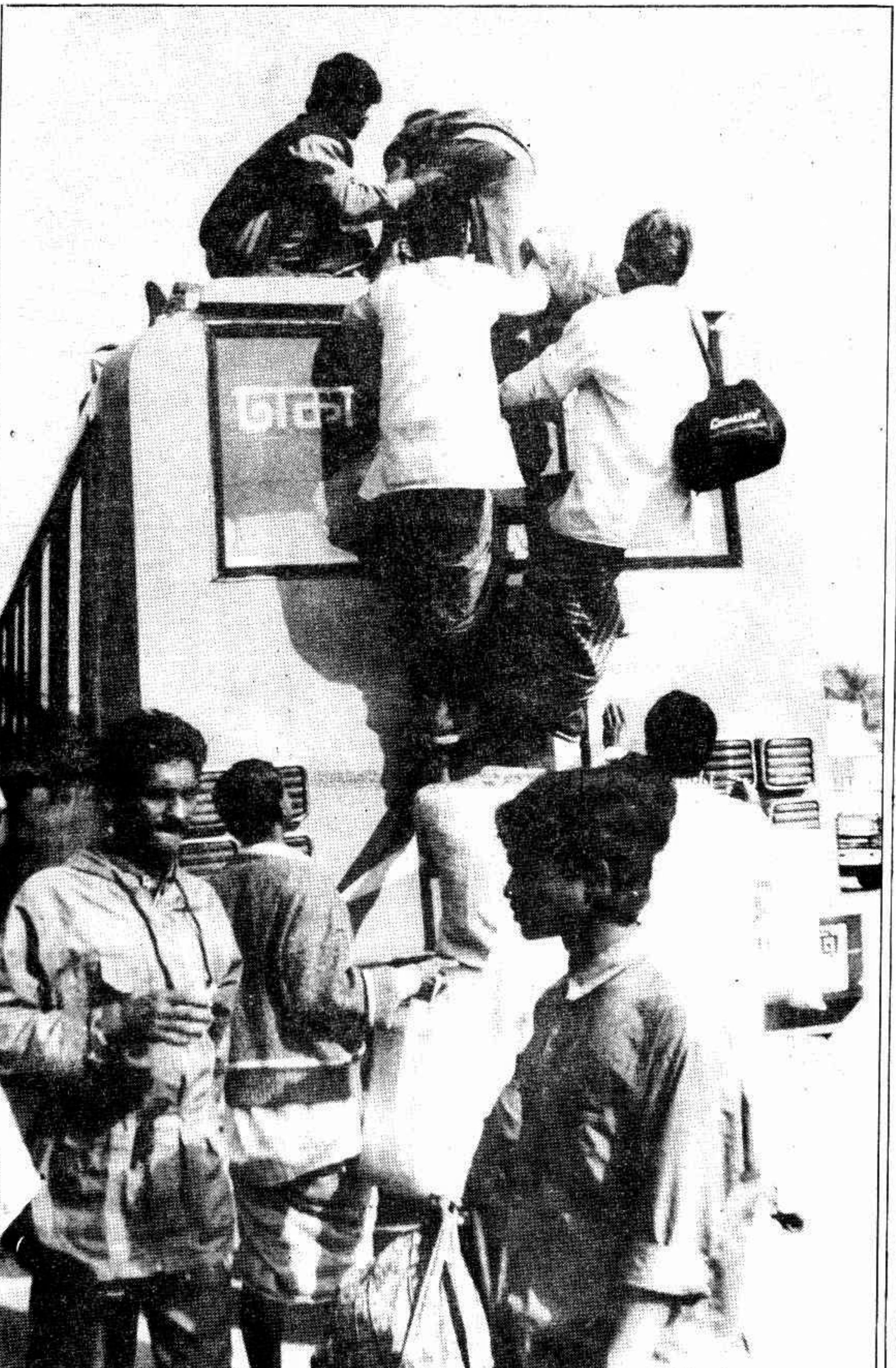
During his visit — Azad's first to China as Foreign Minister — he will sign a 24 million-dollar agreement with Chinese government for the construction of an international conference centre in Dhaka, officials said.

The conference centre is like to be built before the next NAM summit due in the capital in 2001.

Foreign office sources said Azad is carrying a personal letter of Prime Minister Sheikh Hasina for Chinese Premier Zhu Rongji. Hasina made her first official visit to China in 1996, the year she took office.

Besides, the Foreign Minister will hold bilateral talks with Chinese government and make courtesy call on President Jiang Zemin.

He will return to Dhaka on January 26.



With the rush of home-bound passengers ahead of the Eid festival, the inter-district bus services proved too inadequate to cope with the situation. People even scrambled to board bus-tops and paid premium prices for a trip home.

— Star photo

**T-bill auction results**

The 20th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held yesterday, says UNB.

Forty-five bids for a total of Tk 463.00 crore, 23 bids for a total of Tk 81.00 crore, 12 bids for Tk 85.00 crore, 20 bids for a total of Tk 141.00 crore and seven bids for a total of Tk 68.00 crore were offered respectively for the 28-day, 91-day, 182-day, 364-day and 2-year bills.

Of these, 39 bids for a total of Tk 429.00 crore of 28-day bill, 6 bids for a total of Tk 30.70 crore of 91-day bill and one bid each both for the 182-day and 364-day bills for Tk 10.00 crore and Tk 25.00 crore respectively were accepted.

The weighted average prices against the 28-day, 91-day, 182-day and 364-day bills were Tk 99.42, Tk 97.91, Tk 95.51 and Tk 91.12 per 100 taka respectively.

The corresponding yields are 7.54 per cent, 8.55 per cent, 9.40 per cent and 9.75 per cent per annum.

**2 new EVPs of Islami Bank**

Star Business Report  
 M Tajul Islam and M Fariduddin Ahmed have been promoted to the rank of Executive Vice President of Islami Bank of Bangladesh Limited.

Prior to his promotion, Islam was holding the post of Senior Vice President and head of Dhaka zone of the Bank.

He joined the government service of Bangladesh as 1st class gazetted officer after obtaining Masters in Management. He also obtained a diploma from Institute of Banker's Bangladesh and now a fellow of IBB.

During the period he held some responsible positions in the Export Promotion Bureau relating to different international organisations such as GATT, ITC, CFTC, EEC, International Trade Fairs and Dhaka Export Fair.

Islam joined Bangladesh Institute of Bank Management in 1980 as a Senior Faculty Member. Besides, conducting training courses for mid and senior level bankers he worked as co-researcher in different research project of the institution and also worked as Associate Editor of the Professional journal of the Institute named "Bank Parkrama".

He joined Islami Bank Bangladesh Limited in 1983 at the initial stage as the first head of Personnel Department.

Ahmed joined in the service of Islami Bank Bangladesh Limited on the first day of its establishment on 30th March 1983.

He held many important positions in IBB like principal of Islami Bank Training and Research Academy (IBTRA), Manager (Operations), In-charge Narayanganj Branch and head of Central Accounts Department of the Bank.

**Commodity: Weekly roundup**

**Prices of oil, sugar fall while tea, rubber increase**

LONDON, Jan 17: The oil market cast off its new year euphoria and fell back below 11 dollars this week, amid fears that global demand will be lower this year than had previously been expected, reports AFP.

Brent North Sea crude prices on the International Petroleum Exchange (IPE) fell by 51 cents to 10.94 dollars a barrel for February delivery.

Prices fell after the International Energy Agency revised its forecast for world oil demand in 1999 sharply lower.

Prices were also hit by economic turmoil in Brazil, which heightened fears of continued low demand in emerging markets around the world.

The International Energy Agency on Friday revised down by 0.6 million barrels a day its forecast for world oil demand in 1999 but said demand would still be some 1.5 per cent higher than in 1998.

The increase was 0.6 million barrels a day less than forecast by the IEA a month ago and the rise in demand normally come from an assumed normally cold winter in the northern hemisphere after a particularly mild winter in 1997-98.

The downward revision in the demand forecast for 1999 was almost entirely due to a cut in forecast demand in non-industrial countries, particularly Latin America and the Middle East, where the IEA cut its forecasts by 0.2 and 0.3 million barrels a day respectively.

Fears that economic crisis in Brazil might spill across Latin America and hold demand back there, as was the case in Asia late last year, made analysts wary of the prospects for global oil demand.

Petroleum desk manager at Salomon Smith Barney trading house, Peter Gignoux, said: "They have started the new year with some exuberance, prices have rallied by 10 per cent since the beginning of the year and all of a sudden they got caught with the crisis in Brazil and then the IEA figures which reminded them about the weak demand."

RUBBER: Bounce. Rubber prices rose on technical trades in Asia amid rumours that an important Thai investor has bought up contracts on a large scale.

The RSS1 index on the Kuala Lumpur market rose to 2.76 ringgits a kg from 2.56 ringgits.

In London, rubber contracts rose to 525 pounds per tonne (for February delivery) from 460 pounds and 530 pounds (for March) from 465 pounds.

"There are rumours that one of the major Thai companies has bought a lot of contracts on a long term basis and that has changed completely the whole picture for the market," an analyst at Lewis and Peat trading house said.

COCOA: Hot. Cocoa prices rose this week on technical factors that shielded investors from the Brazilian currency crisis. However, prices were expected to level off in the near future under pressure from pro-

ducer selling.

On LIFFE, the London futures market, may cocoa contracts closed at 941 pounds a tonne, up from 936 pounds a tonne.

According to Ghana's President Jerry Rawlings, the world's number two cocoa producer is expecting a harvest this season of slightly less than 400,000 tonnes, than previously expected.

COFFEE: Brazilian, Robusta coffee for March rose 10 dollars to 1.758 dollars a tonne on the London market.

On the New York market, Arabica coffee for March rose to 119.9 cents from 119.20 cents a pound.

Respected analyst Leon Yalouz, formerly of the US Department of Agriculture, said that the crop in Brazil, the leading exporter, for 1999-2000 should reach 23.7-25.9 million sacks, lower than previously expected.

GNI brokerage said that this would mean exports of nine-12 million sacks next year, far lower than the 15 million sacks target of the association of coffee producing countries.

Investors said this could keep prices up, despite the devaluation of the Brazilian currency, which would usually lead to a rise in exports.

Local producers could also stock part of their crops in case there were further devaluations, experts said.

TEA: Hot. The Mobassa, Kenya auctions saw a relatively strong demand this week, the

London tea brokers association said.

Top quality BP1 teas rose between five and 12 cents a kilo, while PF1s rose five to 15 cents.

However, medium teas fell three to seven cents, low-quality Pdust and dust teas also fell in price.

SUGAR: White. White sugar prices fell slightly this week with investors untrilled by the Brazilian currency devaluation.

On LIFFE, the London futures market, may sugar contracts, closed at 250.4 dollars, up from 253.6 dollars a tonne.

Brazil, the world's leading exporter, has sold much of its sugarcane crop central regions, reducing the chance of massive sales by producers following the devaluation.

However, GNI brokerage in London said that devaluations were making Brazilian sugar more competitive.

In the long term, clearly the devaluation, and any further devaluation, will make Brazilian sugar more competitive," an analyst said.

The market was hit by a disappointing level of buying in Russia, which recently cut its 75 per cent import taxes on the commodity.

VEGETABLE OILS: Slippery. US soybean oil prices lost ground this week after Brazilian currency devaluation sparked a flood of exports from Brazil as producers took advantage of the weakening of their currency against the dollar.

Heavy rains hit producing regions in Argentina and Brazil

following a week-long dry period, good news for the health of the crops.

On the Chicago Board of Trade, soyabean oil fell 12 cents to 5.32 dollars a bushel of 27.2 kilos for January delivery.

On the Kuala Lumpur commodities exchange, palm oil fell on profit taking after the previous week's gains, closing at 2,103 ringgits a tonne for March.

On the Rotterdam Market, palm oil for January-March closed at 637.5 dollars a tonne, down 7.4 dollars.

European sunflower oil for February fell 15 dollars to 600 dollars a tonne. Groundnut oil for January-February fell five dollars to 35 dollars a tonne, while rapeseed for February-April fell 0.25 guilders to 108.5 guilders for 100 kilos.

GRAINS: Toasted. Grain prices fell sharply this week in the United States on fears that the devaluation of Brazil's real will dry up wheat imports.

Investors in the United States were concerned that Argentina, the second biggest producer of maize, would also devalue its currency, leading to a flood of exports.

Prices fell further on profit taking, a rise in US stocks reported by the US Department of Agriculture, and the arrival of needed rainfall in Argentinian maize producing regions.

On the Chicago Board of Trade, wheat traded at 2.76 dollars a bushel of 27.2 kilos for March, down 11 cents. Maize fell four cents to 2.15 dol-

lars a bushel of 2.4 kilos for March.

The European market was calm, with little knock-on effect from Brazil.

In London, wheat fell 1.90 pounds to 74.5 pounds a tonne for January.

COTTON: Frayed. Cotton prices lost ground this week in reaction to the Brazilian devaluation, despite industrial buying in the United States and some short-covering.

Prices were hit by the general slump in financial markets around the world after the Brazilian devaluation and also on expectations of cancellations of orders on the US market.

The cotton outlook index fell to 55.85 cents a pound from 56.05 cents.

WOOL: Thin. Britain's woollens index was unchanged at 315 pence a kilo with lower demand than the previous week.

About 80 per cent of the 2.914 million kilos of wool found buyers, down from 95 per cent, the committee of London wool brokers said. However, with supply very high, traders said they were satisfied with the response.

At the Australian auctions in Sydney, Melbourne and Fremantle, 88.4 per cent of the 99,316 bales on offer found buyers.

The eastern index rose five cents to 5.20 Australian dollars a kilo, while the western index also rose five cents to 4.71 Australian dollars a kilo.

we're at that point at this time," the IMF executive said. "There are very strong portfolio inflows, which are strengthening the won, but that gives you a bit more scope with interest rate reduction."

"An interest rate reduction will help the real economy. We should not forget that we're in a recession and we need all the help we can get to recover the real economy," Dodsworth said.

Warburg Dillon Read Branch Manager Richard Samuelson said his brokerage is revising up its 1999 GDP estimates over signs of improved consumer consumption.

"In December we revised upward our forecast to negative 1.9 per cent from negative 3.9 and the risk is we'll revise upward again," he said.

"We've been telling clients to buy (Korean stocks) for some time and on balance we have grown even more bullish with time as interest rates have fallen," Samuelson said.

Benchmark three-year bond yields have fallen below seven per cent after hovering above 30 per cent a year ago.

Edward Campbell-Harris, branch manager of Jardine Fleming, saw improving prices for semiconductor stocks—South Korea's premier export commodity—leading the recovery.

"I think the consensus is that semiconductor prices will be better or stay buoyant," Campbell-Harris said. "A lot of capacity that was supposed to come online in 1998 didn't, so if demand remains good...that will keep semiconductor prices up and factory utilisation rates rising. I think it's a big one to watch for."

Richard Wallace, head of securities at Kleinwort Benson in Seoul, said he's also upgrading his forecasts.

"What's surprising is how fast industrial output picked up at the end of the year and exports (are) showing a positive trend."

But Wallace added a caveat: "A lot depends on the world economy. What is interesting now is the strength of the U.S. economy and that's pretty benign for Korea."

Former president Kim Young-sam and 44 others were summoned to testify at next week's hearing.

A showdown between the ruling and opposition parties will likely continue as the main opposition Grand National Party plans to boycott the session, said Kim Jae-il, a spokesman of the ruling National Congress for New Politics party.

The committee comprises seven assemblymen from the ruling party, four from ruling coalition member the United Liberal Democrats, and nine from the Grand National Party.

— Reuter Internet

**Reform architect warns India may head for serious balance of payment crisis**

NEW DELHI, Jan 17: India may be heading for a serious balance of payment crisis due to an economic slowdown and a "crisis of governance," the architect of the country's economic reforms warned today, says AFP.

Manmohan Singh, former finance minister, said "for many years you have a crisis of governance."

"I think the government has to learn to govern, learn to govern effectively," Singh, who launched the 1991 economic reforms, told the Press Trust of India in an interview.

"The overall economic scenario is gloomy. For the second consecutive year, the economy will not grow more than five per cent. This is not a good enough

performance," Singh said.

"Industrial growth at around four per cent is unsatisfactory and export growth has virtually collapsed. If this is not reversed it could lead to a breakdown in balance of payments," and the country's credit worthiness would be at stake.

Singh, finance minister between 1991-96, said he did not agree with the government's view that exports had been badly hit because of the Asian crisis.

"Seven per cent of the country's exports are to Europe and United States whose economies are still booming."

"The crisis in Asia would have been a great challenge and opportunity for India to

leapfrog. If only India had acted in time and swiftly we could have got at the marginal of investment," Singh said.

Singh accused the ruling Hindu nationalist government headed by Prime Minister Atal Behari Vajpayee of not being serious about tackling "financial and fiscal problems in the right earnest."

Vajpayee's multi-party coalition government has been wracked by infighting since it assumed power in March.

Singh said the government had failed in managing the fallout of nuclear tests on the economy and "fanning of communal passion" by Hindu militants linked to Vajpayee's nationalist party was "sending

wrong signals to the world."

Politics has an influence on the economy and body politic of the country. The way it is being played (by the ruling government) whether it is fanning of communal passion... or public sector finance, there is no evidence of any steady thoughtful management of the economy.

The government's decision to conduct five nuclear tests in May sparked off global condemnation, and the United States and other nations imposed sanctions.

Vajpayee's government has also been under fire from the international community and opposition parties following attacks by Hindu militants, linked to his party, on Christians.

**Special parliamentary hearing on ROK financial crisis next week**

SEOUL: A special parliamentary hearing on the causes of South Korea's 1997 financial crisis is set to convene next week, a spokesman for the ruling party said on Sunday. The hearing comes while South Korea continues its remarkable financial recovery.

After staring into the abyss of national bankruptcy a year ago, South Koreans are enjoying an economic revival that's nothing short of stunning.

Some fear things are going almost too well.

The stock market has risen almost 10 percent since the new year began, following last year's world-beating 46 percent gain.

The won, whose free fall at the end of 1997 plunged Korea into crisis, has since recovered some 70 per cent of its value from a low of 1.995 to the dollar in December of 1997.

Fearing a loss of export competitiveness, the government, in fact, has been trying "verbal intervention" to stem the rising won, which ended at 1,183.5 to the dollar on Friday.

Research houses are scrambling to rethink their growth estimates for 1999, after the central Bank of Korea in the past week said it had revised its gross domestic product projection (GDP) for 1999 to 3.2 per cent growth from an earlier one percent growth.

The government has provisionally estimated GDP contracted 6.1 percent in 1998 after 5.5 per cent growth in 1997.

"Sea change in sentiment" "There's been a sea change in sentiment," said John Dodsworth, the International Monetary Fund's chief representative in Seoul.

"Positive sentiment has been a critical element in the recovery, but there's still some way to go in terms of producing a sustainable recovery," he told Reuters.

Indeed, department stores are crowded again, auto sales have picked up, wholesale and retail sales have been climbing steadily since August.

The key bankruptcy indicator is at a 27-month low.

Major credit rating agencies

have revised their outlook on Korea's country credit ratings to positive, heralding an upgrade to an investment-level rating in the near future.

That would clear the way for more outside investment and allow Korea to borrow cheaper money abroad.

But is South Korea experiencing a case of "irrational exuberance" to borrow a phrase from U.S. Federal Reserve Chairman Alan Greenspan?

"We should not give too much weight to the good showing of the financial indices," South Korea's leading newspaper, the Chosun Ilbo warned in an editorial on Thursday under the headline, "Need to Guard Against Economic Bubble."

"It may be only giving us a false sense of security."

The newspaper noted that domestic investment is still flat, industrial output sluggish and the appreciating won is bound to hurt exports this year.

Falling interest rates Dodsworth dismissed fears the frothy markets could lead to a bubble. "No, I don't think

we're at that point at this time," the IMF executive said. "There are very strong portfolio inflows, which are strengthening the won, but that gives you a bit more scope with interest rate reduction."

"An interest rate reduction will help the real economy. We should not forget that we're in a recession and we need all the help we can get to recover the real economy," Dodsworth said.

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