The Daily Star
BUSINESS



DHAKA, WEDNESDAY, FEBRUARY 10, 1999

# Heated politics worries investors

By Monjur Mahmud

Investors are once again recalling the toll taken by the 1996 political impasse as the country's political situation is heading for a heated future.

Their concern regarding industrial performance in February is even higher because in a month of 28 days, there would be 16 workless days including the seven meant to be lost in hartals.

Business houses are now chalking out their own strategies to off-set the impact of hartal by shifting holidays to hartal days and then working on the scheduled holidays.

But this will not help them much, as some entrepreneurs told The Daily Star, because smooth business transactions need unhindered backward and forward services.

"Even if I keep my factory open on Fridays, banks will not remain so, nor will other government offices be working on such days," said an entrepreneur. " I have to go on my own with none to provide feedback. That won't mean that much to march forward."

Entrepreneurs were found to be strongly sharing the belief that in the age of globalisation, hartals will only throw a spanner in Bangladesh's progress to the next millennium.

"Politics throughout the world is now based on economy. But unfortunately we are going against the wind," said AKM Shamsuddin, President of the Foreign Investors Chamber of Commerce and Industry (FICCI).

"Banks will not write off their interests and entrepreneurs will have to pay salaries and wages to their employees and taxes to the government. How could a business organisation sustain in a situation like this," he asked.

On the first day of the two-day countrywide hartal, economic activities in the capital almost came to a standstill.

Most of the private and foreign banks, financial institutions, industries, business houses and shopping centres remained closed.

"We did not take any risk to carry out pubic transactions although the attendance of employees was not that bad," said a high official with a private bank.

But it was found that some branches of the nationalised commercial banks (NCBs) were open during the shut-down although transactions were almost nil.

"The impact of flood on the economy has not yet been over. The major economic players are also passing through a tough time," said a garment owner, adding that they were also struggling to survive.

The overall performance in the readymade garment industries (RMGs), the country's major export earners, is not good. Moreover, hartal hampers import of raw materials and export of finished products, he observed.

Production in most of the RMG units in the city remained suspended yesterday.

He said that the two-day shutdown may take a hefty toll on RMG exporters as they have to be meticulously on track to meet the deadline. If due to communication disruptions one cannot export his products on time, he has to face stocklots -- an exporter's nightmare.

"If we were serious about the current trend of market, we could take the lead in leather and leather goods," said Md Saiful Islam, Managing Director of Picard Bangladesh Limited, a joint venture company and a member of Picard Germany Ltd., which is producing fashionable leather goods.

Explaining, he said, as the developed countries are now busy with different hi-tech items and relocating the low-tech sectors to the third world countries like us, it is a golden chance for us to explore the potential as we have our own raw materials.

But due to hartal and absence of a business-friendly environment, we are lagging far behind from availing of the chances, he said.

# ACP nations seek liberal access to EU markets

DAKAR, Feb 9: Ministers from the European Union and African, Caribbean and Pacific (ACP) nations met in Senegal on Monday and discussed their trade links in the emerging world economic order — with Cuba waiting on the sidelines to join, reports Reuters.

At stake is the privileged access of the 71 ACP countries to EU markets, which runs counter to the free-market rules of the World Trade Organisation (WTO).

"If we wish to prevent — as we must — the ACP countries becoming the losers in globalisation, we cannot simply perpetuate the status quo," German Foreign Minister Joschka Fischer told delegates in the capital Dakar.

Fischer, President of the EU Council of Ministers, said that whatever new agreement the EU and its ACP partners struck would have to take account of WTO rules.

"When devising future trade arrangements, we must jointly seek an approach which is both acceptable to the WTO and geared to the situation of the ACP states," he said.

Relations between the ACP group of former European colonies and the EU are based on the Lome four convention, which is due to expire in February 2000 and gives preferential tariffs to ACP countries in the EU market, the treaty is up for renegotiation.

Kenya's Planning Minister, George Saitoti, President of the ACP Council of Ministers, urged understanding of his grouping plight in the new economic order.

"It is imperative, therefore, that we continue with a liberal access of European markets as an essential elements in our new partnership," he said.

The European Union also wishes to add a political dimension to the economic and development partnership with the ACP group.

"When we insist on respect for human rights and for democratic principles and the rule of law," Fischer said.

"We do not seek to impose our values upon ACP states. We do so rather because we want to see international minimum standards observed and civil societies strengthened all over the world."

# Indian state firm launches cyberspace price war

NEW DELHI, Feb 9 : India's state-run telecommunications carrier, Mahanagar Telephone Nigam Ltd. (MTNL), launched a price war Tuesday in the Internet service market, offering tariffs 15 percent lower than its rivals, reports AFP.

The company, which provides telephone services in Bombay and New Delhi, said its 7.1-million-dollar Internet project would guarantee "simple, smooth and affordable" services at 8,500 rupees (202 dollars) for 500 hours.

MTNL became only the second company to launch an Internet service in the Indian capital since the government decided last year to end the monopoly of international telecommunications carrier Videsh Sanchar Nigam Ltd.

Satyam Infoway, a private firm, made its debut last year.

"The idea is to provide a good, reliable and no congestion service at affordable costs," R.C. Malhotra, marketing manager of MTNL, told AFP.

"We have cut costs as the environment is competitive. This is our marketing strategy as there are already two others providing the service. For us to make an impact, we thought of offering lower tariffs."

Challenging rivals like Videsh Sanchar to try and match his prices, Malhotra said MTNL was ready to adapt to any innovation.

"We will think of our strategy as the market unfolds."

According to government estimates, the number of Internet connections in India will snowball to two million over the next two years from the current level of 150,000.

Some 21 private licences have been issued by the Department of Telecommunications to potential Internet service firms since the market was opened in November last year.

MTNL has targetted 5,000 customers in the first month and plans to attract 20,000 subscribers within three months.

"Intially we have to take care that there are no complaints. The customers should be able to get to the network on his first dial. So we have decided to restrict the number of customers to 5,000," Malhotra said.

The company planned the network with the help of US computer firm Compaq.

"We rely on our brand name, loyalty of customers which according to our survey is 63 percent, subscribers who are fed up with other companies and lower tariffs to reach our target," Malhotra said.

MTNL is also planning to provide its own gateway "in the future".

India's telephone network has 17.7 million lines for a population of 960 million. It has grown 16.5 percent for the five years to 1997.

India has the lowest telephone density in Asia, and 2.4 million people are in the queue for a connection.

R. Ramaraj, chief of Satyam Infoway, which has kept the tariffs at the same level as Videsh Sanchar, said the entry of MTNL would have to be taken seriously.

"They have the advantage of being a basic telephone service provider. They can bundle a number of services being provided to the customer. We can offer only Internet," Ramaraj said.

## ANZ Sylhet branch celebrates 1st anniversary

ANZ Grindlays Bank celebrated the first anniversary of its Sylhet branch on Saturday, says a press release.

On this occasion, a children's painting competition was arranged by the Bank.

About 30 students from different art schools in Sylhet participated in the competition.

Participants were divided into two age groups and prizes were given to the first three winners from each group.

Tamara Rahman Ali, wife of Muhammad A Ali, General Manager of ANZ Grindlays Bank, handed over the prizes.

The function was inaugurated by Md Habibur Rahman, Divisional Commissioner of Sylhet.

Speaking on the occasion, Muhammad A Ali expressed his sincere appreciation for the cooperation extended by all quarters of the society during the first year of the operation of the Bank is Sylhet.

ANZ Grindlays is the first and only international bank who started its operation in Sylhet in February, 1998.


Tamara Ali, wife of Muhammad A Ali, General Manager of ANZ Grindlays Bank, hands over prizes to the winners of a children's painting competition held on the occasion of the 1st anniversary of the bank's Sylhet sales and service centre.

— ANZ photo

A Thai woman looks at computers from one of the 56 suspended finance companies which were auctioned yesterday. The Financial Sector Restructuring Authority (FRA) said it was ready to start carving up the proceeds of huge asset sales held to pay off creditors of finance firms closed in the darkest hour of the financial crisis. Creditors would have three months to submit claims.

— AFP photo

## Malaysia to look into problems of Bangladeshis

Malaysia has assured of looking into the problems of Bangladeshis working there, reports UNB.

The assurance came when Bangladesh Labour and Employment Minister Abdul Mannan met with Malaysian Human Resources Minister Dato Lim Ah Lek in Kuala Lumpur yesterday, according to a message received here.

The Malaysian minister also praised the Bangladeshi workers during the talks where matters relating to their welfare came up.

Abdul Mannan, who came to the Malaysian capital on Monday, visited the Bangladesh High Commission today and talked to the workers. He inquired their welfare and asked them to abide by local rules and regulations.

The Bangladesh Labour Minister also met with the employees and officials of the High Commission.

## Mobile phone sales up 51pc in 1998

LONDON, Feb : Mobile phone sales leapt 51 percent in 1998 to 162.9 million units worldwide, with Europe the hottest market, a survey by US-based Dataquest said Monday, reports AFP.

Western Europe represented 32.5 percent of the market, followed by 17.1 percent in the United States and 16.5 percent in Japan.

Finland's Nokia digital phones swept into first place, overtaking the previous leader Motorola of the United States, which has been hit by the transition from its older analogue technology to digital.

Nokia sold 37.374 million mobile phones, up 81.5 percent from 1997, to claim 22.9 percent of the world market.

Motorola captured 19.8 percent of the market, down from 24.5 percent in 1997.

In third place was Sweden's Ericsson, followed by Japan's Panasonic and France's Alcatel.

## India's fiscal deficit up 75 pc

NEW DELHI, Feb 9: India's fiscal deficit shot up 75 per cent to 17.4 billion dollars during the first nine months of the fiscal year-on-year to March 1999, a government statement said yesterday, reports AFP.

A finance ministry statement said only 61 per cent of the revenue target of 38.6 billion dollars was met during the same period to December.

"During this period, non-plan expenditure shot up by about 30 per cent to 32.6 billion dollars," the statement said.

Analysts have warned that India's ballooning deficit was threatening to ensnare the country in a debt trap.

**UNCTAD executive session in Geneva**

# Plan for integrating LDCs into world economy stressed

Bangladesh Ambassador to Geneva Dr Iftekhar Ahmed Chowdhury has stressed the need for a new global plan for least developed countries (LDCs) to integrate them into the world economy, reports BSS.

He was addressing the executive session of the Trade and Development Board of the United Nations Conference for Trade and Development (UNCTAD) in Geneva on Friday, a message received in Dhaka yesterday said.

The session, which met for preparations for the UNCTAD-scheduled to be held in Bangkok in February 2000 approved the substantive agenda for the upcoming conference.

Dr Iftekhar observed that this preparatory session was taking place in Geneva at a critical time when different parts of the world seemed to be confronting various crises. "Also the recent turmoil in the financial markets affecting economies across a wide spectrum has accentuated the need for us to search for ways together, in every forum, to contain this malaise," he said.

He said the preparatory process should help consolidate the "Geneva consensus," which is that "trade should be seen not as an end in itself but a means to achieve development."

Ambassador Chowdhury mentioned some encouraging developments such as the increasing interest among the major members of the G-7 about the least developed countries.

He hoped that the problems of the developing countries in general and the LDCs in particular would be adequately addressed in the Cologne summit of G-7 in Germany in June.

The Bangladesh Ambassador congratulated Germany on the assumption of the chairmanship of the European Union and offered the German delegation full cooperation.

He said a comprehensive new plan of action should emerge for the LDCs which will put them on the track of durable development in the new millennium.

## Task force for incentives to boost sugar output

The Task Force on Sugar Industries has underlined the need for large-scale incentives for sugarcane cultivators to increase sugar production in the country, reports APB.

It recommended the cane growers should be given training to adopt the technology of spaced transplantation of sugarcane and provided with increased credit facility and other incentives for inter-cropping.

The suggestions were made at a meeting of the Task Force at the head office of Bangladesh Sugar and Food Industries Corporation (BSFIC) in the city on Monday.

Presided over by Convenor of the Task Force Shamsur Rahman Sharif, MP, the meeting was attended, among others, by Imdadul Haque, MP, Member-Secretary of the Task Force Fazlur Rahman, BSFIC Chairman Maniruddin Ahmed, Director General of Bangladesh Sugarcane Research Institute A H M Delwar Hossain and Dr Ali Mohammad of Bangladesh Agriculture Research Council.

The meeting reviewed the prevailing state of affairs in sugar sector and advised the BSFIC to take steps to raise sugarcane output in mill zones.

The meeting also mooted the possibility for balancing, modernisation, rehabilitation and expansion of existing sugar mills for increasing of the sugar production capacity.

# Dispute over farm aid a threat to EU enlargement

BRUSSELS, Feb 9 : The European Union's attempt to agree on a reform package designed to prepare it for enlargement into eastern Europe suffered a setback Monday as finance ministers clashed over the future of the Common Agricultural Policy (CAP), reports AFP.

Germany, the current EU president, failed in its bid to secure an agreement in principle to cap payments to farmers, which account for nearly half the bloc's budget, at their present level of 40.5 billion euros (46 billion dollars) a year until 2006.

Greece, Portugal and Spain all opposed the plan outright while France was angered by a fresh call from Germany for part of the CAP bill, which is currently met exclusively from the EU's common budget, to be transferred to national governments.

French Finance Minister Dominique Strauss Kahn warned that Paris would veto "any attempt to introduce co-financing for the CAP."

As the biggest agricultural producer in the EU, the French government would be landed with a huge bill if the German proposals, which were backed by Italy and Finland, were to be adopted.

Spanish Finance Minister Rodrigo Rato said Monday's talks had made no headway. "All we had was another round of statements of national positions," he said.

Foreign ministers from the 15 EU states will meet in Brussels on February 21 for an extraordinary meeting aimed at breaking the deadlock.

EU leaders have set a March 24-25 summit in Berlin as the deadline for reaching agreement on the overall reform package, which also covers the EU's regional spending and future financing arrangements.

A deal to limit CAP spending is seen by its advocates as the key to ensuring that the EU is capable of freezing total spending at its 1999 level of 85 billion euros (100 billion dollars) in real terms.

Germany, Austria, the Netherlands and Sweden see budget stabilisation as crucial if they are to secure reductions in the gap between what they pay in to Brussels and what they get back from various spending programmes.

The four biggest net contributors are supported by Britain and France and a majority of the remaining countries are broadly sympathetic.

But the proposed spending freeze is being fiercely resisted by Greece, Ireland, Portugal and Spain.

These four countries, the EU's poorest, are the biggest recipients of structural aid to Brussels and fear the proposals will undermine their economic development.

Some degree of CAP reform is seen as inevitable by all EU governments. Maintaining production subsidies at their current levels would result in a rapid build-up of the notorious food mountains of the 1970's and early 80's -- only this time a stricter international trade environment would stop the EU offloading them on to world markets at the expense of more competitive producers in Australia, Latin America and the US.

The European commission has tabled proposals to cut subsidies linked to the production of beef, cereals and dairy products by up to 30 percent.

But under this blueprint, overall spending will actually increase because of the cost of compensating farmers for their lost income.

British Chancellor Gordon Brown said that compensation measures had to be strictly time-limited. "We do not agree with making payments to preserve the status-quo," he said.

British officials said CAP reform could cut the price of key foodstuffs in Europe by between 12 billion and 16 billion euros, saving the average family 150-200 euros per year on their food bills.

**Asian Currency Roundup**

# Most units end weaker

SINGAPORE, Feb 9: Most Asian currencies closed weaker against the US dollar today in line with the Japanese yen, but positive comments from the IMF helped boost the Indonesian rupiah, dealers said, reports AFP.

"Trading is tied very tightly to the yen's movement, but it is also very controlled," said a dealer with a European bank in Singapore.

At the end of Asian trade, the *Singapore dollar* fell to 1.6930 per dollar from its close of 1.6890 the day before, the *Thai baht* to 37.05 from 36.92, the *Philippine peso* to 39.50 from 39.30 and the *Taiwan dollar* to 32.288 from 32.265.

The *South Korean won* ended flat at 1.175, while the *Indonesian rupiah* was higher at 8,750 from 8,900.

"It's stronger on the back of liquidation of dollars by US players. Indonesian state banks were also believed selling at the 8,700 to 9,000 level," the dealer said, adding that comments from a top International Monetary Fund (IMF) official aided sentiment on the rupiah.

IMF Asia-Pacific Director Hubert Neiss said Monday that Fund officials will propose to their board next month an increase in allocations to Jakarta to boost reserves ahead of the June general elections, but gave no figures.

The IMF has arranged some 46 billion dollars in aid for Indonesia to help the country overcome its worst economic crisis in decades following the sharp declined of the rupiah against the dollar. The IMF's own contribution is 11.3 billion dollars.

The *Philippine peso* closed at its lowest level against the dollar in two-and-half months on the weakness of the yen and fears the central bank would again be buying dollars from the market, analysts said in Manila.

The unit hit a low of 39.75 to the greenback. Governor Gabriel Singson admitted the central bank bought dollars Monday to fund part of its maturing short-term debts, but did not say how much.

The Japanese yen closed sharply lower in Singapore at 114.65 to the dollar, from its close Monday of 113.73, as traders were encouraged by the strengthening of Japanese government bonds, dealers said.

Japanese authorities had ruled out the Bank of Japan buying newly-issued bonds but were considering increased purchases of bonds already in the market, said Yutaka Kawazoe, chief dealer at Industrial Bank of Japan.

This had "pushed government bond buybacks, contributing to the stabilising yields," he said. "The stabilising yields have pushed players who bought the yen to sell the Japanese currency."

The yield, which moves inversely to price, finished at the day's low of 1.980 per cent, down from 2.160 per cent at the close on Monday, and sharply down from Friday's finish of 2.375 per cent.

The yen was also restrained, Kawazoe said, by comments the previous day from Vice Finance Minister for International Affairs Eisuke Sakakibara, that a strong yen and high yield were not good for the Japanese economy.