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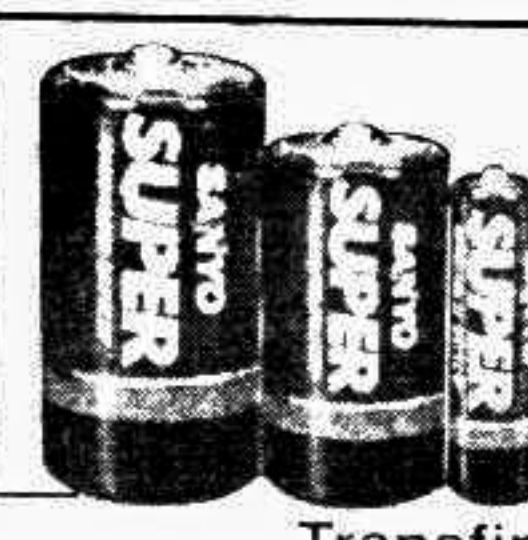
The Daily Star BUSINESS

DHAKA, SUNDAY, FEBRUARY 14, 1999

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Pak exports drop 12 pc

KARACHI, Feb 13: Pakistan's exports declined by 12 per cent or \$55 million dollars in the first seven months of the fiscal year ending June 30, compared to the same period a year earlier, according to official statistics yesterday, reports AFP.

Pakistan's major exports are raw cotton and textiles, rice, sugar, leather products, hand-knotted carpets, sports goods, seafood and surgical instruments.

Pakistan's imports were estimated at 5.07 billion dollar over the same period, a decline of 19 per cent compared to the previous year.

Economist Iqbal Haidri said the decline in imports reduced the trade gap by 45.76 per cent or 1.31 billion dollars in the seven months.

Restrictions on imports of raw materials had succeeded in conserving foreign exchange but also reduced export, analysts said.

The government hopes to reduce the trade deficit from 3.37 billion dollars in fiscal 1997-98 to 2.32 billion dollars in the current financial year.

China to end shipbuilding monopoly

SHANGHAI, Feb 13: China plans to split its giant China State Shipbuilding Corp into two companies to boost innovation by its struggling shipbuilders, state media said Saturday, reports AP.

China's industry is losing ship orders in part because of inferior technology, the China Daily newspaper said.

The breakup is part of a decade-old effort to compete in shipbuilding with Japan and South Korea, whose recent currency declines have made their more advanced products even more attractive to ship buyers.

The China Daily did not say when CSSC would be broken up or what the two new firms would look like. CSSC had total sales last year of 22 billion yuan (\$2.7 billion), the newspaper said.

In addition, firms the industry will be ordered to set up research centers to supplement six government centers, the China Daily said.

Crackdown on smuggling boosts China's revenues

SHANGHAI, Feb 13: A crackdown on smuggling has dramatically boosted Chinese tax revenues, which rose nearly 27 per cent in January, state media said Saturday, reports AP.

Import taxes were 98 per cent above last January at 8.4 billion yuan (\$9.9 billion), while construction, petroleum, tobacco and alcohol taxes also rose, the People's Daily newspaper said.

Overall revenues of 81.8 billion yuan (\$9.9 billion) were up 26.6 per cent from last January, the Xinhua News agency said. It said the revenues accounted for 8.7 per cent of the 1999 projected total.

A 7-month-old anti-smuggling crackdown targets imports of industrial materials and consumer goods that Chinese leaders say are undercutting state industries.

Supplies from neighbouring Asian countries have gotten cheaper because of currency declines, while China has held the value of its currency steady.

Bangkok Bank to emerge stronger on capital boost

BANGKOK, Feb 13: Thailand's biggest commercial bank, Bangkok Bank Plc, has positioned itself to battle the industry's crushing non-performing loans with its 40 billion baht (1.1 billion dollars) capital boost, analysts said Friday, reports AFP.

Directors of the bank approved a plan to boost funds with the issue of new preferred shares and subordinated debentures at a meeting which broke up late Thursday night.

The move, along with the Thai Upper House's approval of a key bankruptcy court bill, helped fuel a 10.8 percent surge on the Thai stock exchange Friday, as fears over unpaid debts temporarily gave way to optimism.

The issue will use Capital Augmented Preference Shares or CAPS, the bank said in a statement. CAPS will be sold as a mutual fund including a combination of preferred shares and subordinated debentures.

At least 20 billion baht will be in the form of so-called Tier-1 capital, which covers paid up capital, retained earnings and reserves, the statement said.

Bangkok Bank, in common with the rest of the devastated Thai banking sector, is fighting to stave off the drain on resources of non-performing loans (NPLs) left over from Thailand's plunge into economic crisis in 1997.

IMF-govt ground talks on ESAF loan end

By Inam Ahmed

The International Monetary Fund (IMF) has ended up with its primary negotiation with the government on making available the enhanced structural adjustment fund (ESAF) loan.

The Article 4 mission of IMF, which is meant to oversee the progress of the economy and reforms, left Dhaka Thursday after a wrap-up meeting with the Finance Ministry.

According to sources, another mission will arrive in Dhaka in August to finalise the quantum of loan to be made available for Bangladesh.

This year, the government expects ESAF loan worth three

to four million dollars to back its weak balance of payment (BOP) situation.

The government received \$345 million ESAF loans in 1992. IMF also lent a \$138 million emergency flood aid last year.

Sources said that IMF would consider the extent of the pain for Bangladesh in abiding by the reform agenda and its BOP situation.

The IMF team had a series of meetings with the Privatisation Board (PB), Bangladesh Bank (BB), Ministry of Finance and National Board of Revenue (NBR).

In its meeting with the PB, the team expressed its dissatis-

faction over the slow pace of privatisation.

It also called for greater autonomy for the central bank. The IMF team also wanted to see an increase in revenue and cut in expenditures, especially in unproductive areas.

The Fund delegation also asked the government to further liberalise trade, follow a flexible exchange control mechanism and carry out required reforms of the public administration.

The team also reiterated its call upon the government to avoid any programme that would mar the on-going development activities.

Poorly-fertilised boro a real cause for concern

Star Business Report

The cash-strapped farmers are not using adequate quantity of fertiliser in their boro fields, which is a cause for concern as non-application of the basal dose will have a negative impact on the output, says Nova News, a Novartis bulletin.

Farmers are enamoured with SSP, as it is cheaper than TSP. For the farmers who had lost everything in the 1998 floods, the costly TSP looks like a faraway thing.

The government is also aware of the farmers' tendency and so, to maintain the soil nutrition balance, it has restricted traders from selling SSP alone.

But this has even made things worse. The majority of the farmers are unable to afford TSP, now selling at Tk 700 a bag. So, they are using neither SSP nor TSP.

On the other hand, the price of urea has also increased from Tk 275 to Tk 300 a bag making farmers unable to use urea and other fertilisers.

A Fertiliser dealer, A. A. Mahmud at Gaibandha, said that due to aman losses last year, farmers are not interested in buying SSP or TSP anymore.

To push up their sales, some dealers are adulterating their fertilisers to sell them at cheaper prices. In some places, the district administration has formed committees to visit the traders and check adulteration of fertilisers, the publication said.

The Department of Agriculture Extension (DAE) is also active in promoting granular urea and compost fertilisers.

Even some NGOs like BRAC are now distributing fertilisers on a limited scale. These NGOs will also aid the farmers with pesticides in case of pest attacks.

Last year's floods have also thrown the farmers in great financial crisis. Their borrowed money is at its lowest and they have no rice in stock. They are now totally dependent on the

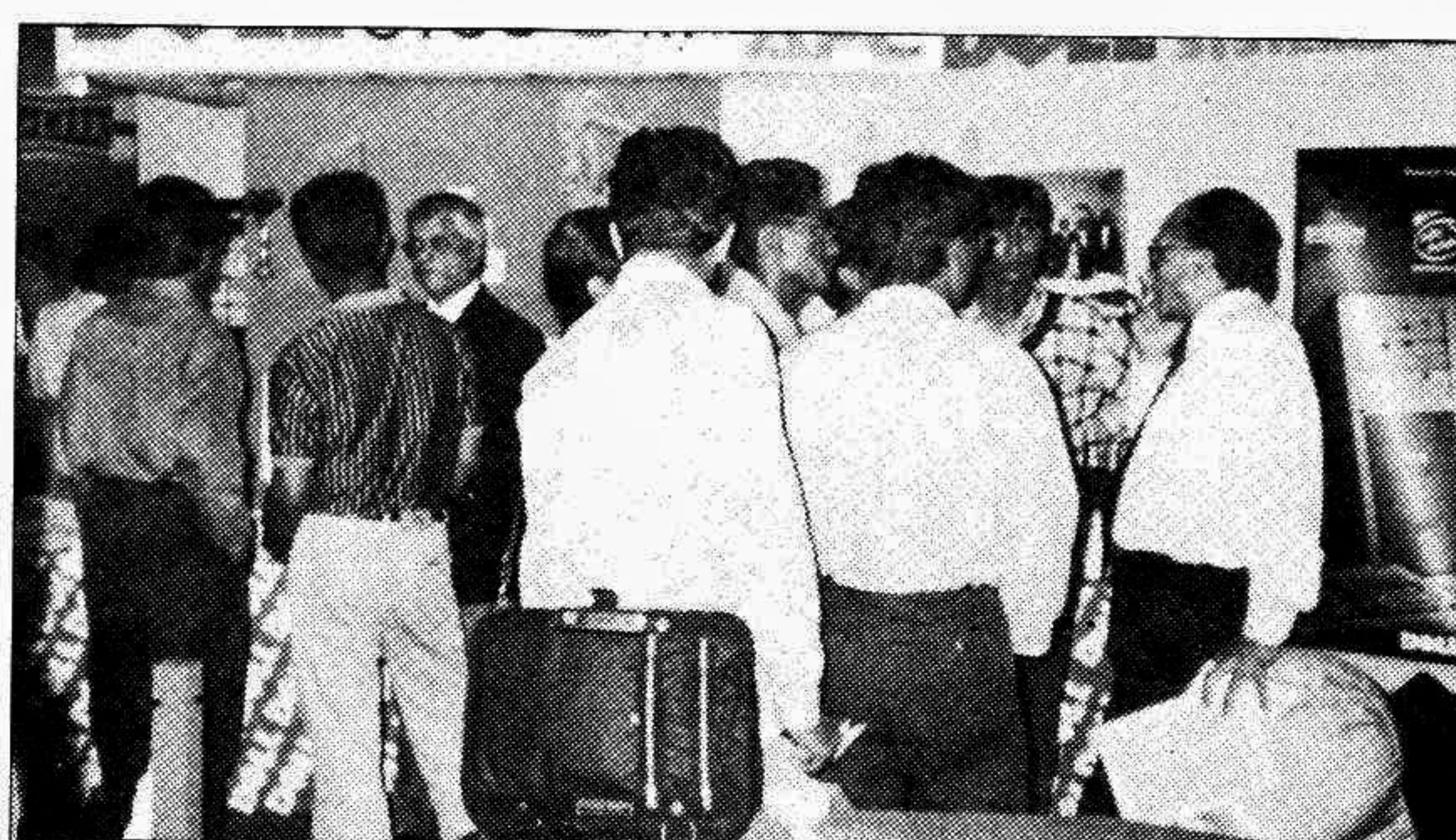
market. This will prove an extra burden for them as they have to bear the cost of boro cultivation.

Many of the farmers had applied for bank loans, but the cost of transactions is too high for them. Those who finally managed to get money, did so on papers as the new loans were used in adjusting their previous loans.

Farmers are also worried about irrigation and loan-shedding -- the most pesky problems they have been facing these days.

It is now a must for the farmers to maintain two to three inches of water on their rice fields. In many cases, this is not possible because of power failures.

The political unrest will also have its toll. March is the prime month for urea application. Continuous hartals will disrupt the flow of fertilisers, create shortages and ultimately lead to further price hikes.



Visitors crowd around the Dell computer stall set up by Systematique Computing Ltd (SYSCOM) at the 8th annual US Trade Show at Hotel Sheraton yesterday. SYSCOM was the first to introduce Dell computer products in Bangladesh in 1992 and has established a strong base for the highly-reliable and world-renowned computer product. — Dell photo

Shadow cast over Russian debt repayment

The future of Russia's \$150bn of foreign debt looks at risk following the default of one of the country's once-powerful commercial banks.

Uneximbank, part of a major group owned by media tycoon Vladimir Potanin, told its European creditors that it was unable to meet payments on \$250m of eurobonds. There has never before been a default on such debt.

Bondholders now fear that Russia may consider repudiating its commitments to maintain payments on a variety of government debts, including those from the Soviet era.

"If the sovereign defaults, the show is really over," said one European banker. "It is worrying when one entity from a country adopts a different stance to the country itself. That's why we're watching Uneximbank."

Huge debts

Russia faces being excluded from international credit markets for years if it cannot reach agreement with its creditors on restructuring some of the

\$17.5bn of borrowings and interest that fall due this year.

The government could be unable to pay the \$4.5bn owed to the World Bank and International Monetary Fund, and has already said it faces difficulties in paying around \$8bn in Soviet-era debt.

So far eurobonds have been considered sacrosanct and the Russian government pledged in August that they would be the last of its obligations on which it would possibly default.

Now the British investment bank Robert Fleming, who is acting for Uneximbank, has told creditors that bondholders will not be given any priority in restructuring the \$2bn debt owed by the bank.

"This is a commercial issue. If eurobonds lose their senior status, it could set a dangerous precedent and make investors more reluctant to buy debt," said one bondholder.

Russia's eurobond debt is now trading at only 30 per cent of its face value, and the eurobonds of other big Russian banks, like SBS-Agro and

Rossiiskiy Kredit, are now trading at only 10 per cent of their face value, indicating that the market expects a general default.

Eurobond committee

Eurobonds are fixed income instruments held by a wide variety of investors, from large banks to private individuals. Legally, bondholders do not have a higher claim to debt repayments, but because of their fragmented status, the assumption in international financial markets has been that they would take precedence.

"Eurobonds don't usually have a higher ranking in legal terms, it is more a question of market expectations," said Helen Style, a lawyer with the International Primary Market Association.

In a sign of the difficulties with getting bondholders to agree anything, nearly half of all Uneximbank's bondholders were not represented at the creditors meeting this week, including the lead underwriter for the issue, Merrill Lynch.

— BBC Internet

JAL to start code-sharing with Cathay

TOKYO, Feb 13: Japan Airlines Co. Ltd. said Friday it would start a code-sharing alliance with Hong Kong's Cathay Pacific Airways Ltd. on routes connecting Hong Kong to Osaka and Nagoya, reports AFP.

The code-sharing would start between Hong Kong and Osaka in late March and between Hong Kong and Nagoya in April, the airline said in a statement. It hoped the scheme would boost traffic.

WB loans \$100m to Kazakhstan

MOSCOW, Feb 13: The World Bank will loan Kazakhstan 100 million dollars to rebuild and maintain its road network, the office of Kazakhstan Prime Minister Nursultan Nazarbayev said on Friday, quoted by Itar-Tass, reports AFP.

According to the World Bank, only 37 per cent of the country's road are in good condition.

EBL EASTERN BANK LIMITED

WORKSHOP ON DOCUMENTATION OF LOANS AND ADVANCES

FEBRUARY 10, 1999

VENUE: EBL TRAINING ACADEMY

SESSION CHAIRMAN: MR. M. KHAIRUL ALAM

MANAGING DIRECTOR EASTERN BANK LIMITED



M Khairul Alam (Middle), Managing Director of Eastern Bank Limited (EBL), addresses as session chairman the workshop on Documentation of Loans and Advances held at EBL Training Academy recently. M Hedayetul Islam (Right), Executive Vice President, and QGM Farooqi (Left), Principal of the training academy, were present on the occasion. — EBL photo

Commodity: Weekly Roundup

Robber down as Thailand quits INRO

LONDON, Feb 13: Rubber prices fell after the world's leading producer country, Thailand, quit the International Natural Rubber Organisation, putting its very existence into question.

The Thai departure, announced early this week should be completed in one year's time.

Analysts said that the body which seeks to support market rubber prices, would find it difficult to exist without Thailand, which at present contributes 40 per cent of INRO's stocks.

The country has since last summer criticised the organisation's success in supporting prices.

Analysts pondered how much lower soft rubber prices could go even without market intervention.

"It's difficult to see where prices will go in the long term. They've been so low so how further can they go?" wondered one analyst at Legis and Peat Trading House.

Oil: Weak: Oil prices fell slightly in the absence of any fundamental news as analysts awaited an OPEC meeting next month, reports AFP.

Brent North Seacrude for February delivery on the International Petroleum Exchange (IPE) here fell to 10.39 dollars a barrel from 10.57 dollars.

Light sweet crude prices on the New York Mercantile Exchange (NYMEX) fell 10; 11.85 dollars for March delivery from 12.02 dollars.

US strategic oil stocks rose by 28 million barrels, the government said.

The Chairman of Shell Oil Company, Mark Moody-Stuart, on Thursday predicted that the market would continue to be depressed in the coming months.

Cocoa: Cool. Low demand kept Cocoa prices chilled this week despite a slowdown of exports from West Africa.

May contracts on the London market fell by six pounds to 906 pounds per tonne.

Arrivals of Cocoa at Ports in Cote D'Ivoire the world's leading producer fell by 33 per cent in the week to February 7 at 24,999 tonnes.

Since October, total consignments there have totaled 855,993 tonnes down from the 875,400 tonnes seen at the same time one year earlier.

Coffee: Strong Coffee warmed to the prospect of an export tax thought likely to be imposed in Brazil, which prompted buying on the part of investment funds and roasting houses alike.

Arabica contracts on the New York market rose to 106.75 cents a pound from 105.70 cents.

Dealers took heart from an expected slowdown in Brazilian exports and also from predictions by Colombian exporters that the country's crop will fall by 14.52 per cent on 12-month comparison in the first half of

1999. Robusta prices on the London market rose to 1.685 dollars a tonne from 1.647 dollars after a slowdown in supplies from Cote D'Ivoire.

Tea: Warm Demand strengthened in the Mombasa auction houses, especially for high-grade tea, the London Tea Brokers Association said.

BP1 tea rose by between five and 10 cents killo and PF1 brews rose by between five and 12 cents per kg.

Sugar: Sweet. Sugar prices rose amid expectations of a fall in the size of the Australian harvest in 1999/2000 as parts of the country swallowed under flood waters.

May contracts on the London market rose to 222.80 dollars a tonne from 219.80 dollars.

Analysts here said that some sugar-producing regions in Queensland had been afflicted by flooding, continued rainfall raised fears that the sugar content in the cane there would be diluted.

Vegetable oils: Sunk. US soy prices fell amid predictions from the US Agriculture Department that Brazil and Argentina will increase output in 1998/99, while US exports will likely fall.

Prices also suffered from further losses in the value of the Brazilian real, prompting fears that exporters would increase shipments to chase foreign cur-

rency.

Grains: Stale. US grain prices fell on speculative selling and high levels of supply this week, although there was upward pressure on prices after heavy rain ended fears of drought in the US Midwest.

On the Chicago Board of Trade, wheat fell six cents to 2.62 dollars a bushel of 27.2 kilos for March. Maize shadowed wheat, moving little, down one cent to 2.16 dollars a bushel of 25.4 kilos for March.

Cotton: Frayed. Cotton prices fell sharply this week on us selling after an initial price rise in reaction to healthy forecasts from the National Cotton Council-NCC.

The cotton outlook's index fell to 56.35 cents to 56.90 cents a pound.

The NCC forecast was for US production of 17 million bales in 1999-2000, sharply higher than the US Department of Agriculture's estimate of 13.8 million bales, but still lower than market expectations.

Wool: Thin. At Britain's bingley auction, demand was poor. Only 75 per cent of 2.906 million kilos found buyers, the wool brokers association in London said. The woltops index was unchanged at 299 pence a kilo.

In Australia's Sydney, Melbourne and Fremantle auctions, demand fell again, with 80.2 per cent of 78,016 bales sold.

Dumping in US Japanese steelmakers deny charges

TOKYO, Feb 13: Japanese steelmakers and industry representatives have denied a US claim that Japan is dumping steel in the American market, a media reports said Saturday.

"If the US government closely examines data provided by Japanese steelmakers, it can understand there are no dumping practices," an official of the Japan Iron and Steel Federation was quoted as saying by Kyodo news service. He did not elaborate on what the data showed.

Japanese steel companies face stiff tariffs after Friday's finding by the US Commerce Department that they sold steel in US markets for less than it cost to make and less than they charge at home.

The preliminary ruling triggers a full investigation that could lead to tariffs of up to 68 per cent for Japanese producers by this summer. Brazilian producers were also cited for dumping steel.

Imports of hot-rolled carbon steel from Japan, Brazil and Russia jumped more than 60 per cent during the first six months of 1998, compared to the same period in 1997.

The Commerce Department said steel from Japan may have been sold at up to 68 per cent below the fair value.

The calculation of dumping margins is very regrettable as

we cooperated with the US government in its anti-dumping probe as much as possible," Nippon Steel Corp, Japan's biggest steelmaker, was quoted as saying by Kyodo.

The American steel industry blames the surge in imports for at least 10,000 layoffs and three company bankruptcies.

But Friday's ruling also comes at a tough time for the Japanese industry.

Three of Japan's biggest producers -- Kobe Steel Ltd, NKK Corp, and Sumitomo Metal Industries Ltd -- announced earlier Friday that they expect losses for the current fiscal year to be larger than forecast, partly due to a decline in exports.

Japan's steelmakers began cutting back on sales to the United States late last year, fearing the Commerce Department would rule against them.

According to the Iron and Steel Federation, and industry group, Japanese manufacturers have almost completely stopped making new contracts for exports to the United States, Kyodo reported.

At the same time, the Asian economic crisis has severely lowered demand for steel closer to home.

Japanese steel company officials and industry representatives were not available for comment Saturday.

German railway plans to cut 60,000 jobs

HUMBURG (Germany), Feb 13: German state railways operator Deutsche Bahn plans to cut 60,000 jobs by 2003, the weekly newsmagazine Der Spiegel reported in its latest edition, says AFP.

In its edition to be published on Monday, Der Spiegel quoted an internal Deutsche Bahn report which showed that the national railway operator planned to cut its number of workers to around 193,000 by 2003 from over 250,000.

Most of the cuts would be effected via "natural wastage and early retirement," the report said.

Mexican move to cut inflation

MEXICO CITY, Feb 13: In an effort to curtail inflation, the Bank of Mexico this week ordered the nation's 20 private banking institutions to double the minimum cash reserves they keep on deposit with the central bank, says AP.

The aim is to sop up as much cash as possible from the marketplace, thus driving up interest rates, restricting credit and lower spending as much as possible.

As of Feb 15, the Bank of Mexico announced late Thursday, private banks will have to deposit an additional the equivalent of \$2.5 billion at the rate of approximately \$500,000 a day. The banks had been ordered to deposit similar amounts back in September.

The bank of Mexico will pay interest on the deposits in accordance with the 28-day inter-bank rate that stood at 31.5 per cent Thursday.

Inflation, as measured by the consumer price index, ended 1998 at 18.6 per cent, well above the government's goal of 12 per cent.

President Ernesto Zedillo's administration has had to cut government spending sharply to start paying for a \$65 billion bailout of non-performing loans by private banks then by a drop in crude oil prices and later by financial turmoil in Brazil and elsewhere.

Crude oil exports accounted for 36 per cent of the government's revenue, and to help make up for financial shortfalls, the state petroleum monopoly Pemex had to raise gasoline and other fuel prices and raise taxes.

This in turn built up inflationary pressures.

The government's inflation target for 1999 is 13 per cent, but inflation amounted to 2.5 per cent in January and will probably be 1.5 per cent in February.

EBL workshop on documentation of loans held

A workshop on documentation of loans and advances was held at EBL Training academy in the city recently, says a press release.

Managers of Dhaka-based branches and officers working in the credit department participated in the workshop.

The objectives of the course were to upgrade the efficiency of the officers.

M Khairul Alam, Managing Director of Eastern Bank Limited (EBL) conducted the workshop.

M Hedayetul Islam, executive Vice President, and QGM Farooqi, principal of EBL Training Academy, were present.

Japan's Nomura centralises global operation

TOKYO, Feb 13: Japan's mighty Nomura Securities Co. Ltd. said Tuesday it had placed its once semi-autonomous global operations under the direct control of four people in Tokyo, reports AFP.

Huge losses incurred by the Russian financial crisis and a slump in US real estate securitization prompted the major brokerage to centralise world operations, said a Nomura spokeswoman.

"To avoid further losses (in the global market), and from an efficiency point of view, we have decided to create new posts that would directly supervise our global operation," the spokeswoman said.

Nomura's foreign units in Asia, Europe and the United States had enjoyed relative autonomy over their operations.

The company had centralized the global business by creating new global supervisory positions in Tokyo in four areas -- equities, financial markets, risk management and investment banking.

The Russian crisis really signified the situation of the global market. That is, one crisis can easily cause another," said the Nomura spokeswoman.

"The Russian crisis prompted us to change in our management strategy, and we are adjusting ourselves to a new global economic environment," she told AFP.

Nomura suffered a group net loss of 207.3 billion yen (1.5 billion dollars) in the six months to September last year, with revenue down 47.3 percent at 226.3 billion yen.