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# The Daily Star BUSINESS

DHAKA, TUESDAY, MARCH 23, 1999

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## Deal with Chinese co on Meghnaghat power plant site preparation

The Power Development Board has signed a Tk 1.41 crore deal with a Chinese firm for preparing the site for a 450-mw Combined Cycle Power Plant at Meghnaghat, reports UNB.

Officials said the China National Hydropower Engineering Corporation signed the contract on the Meghnaghat Site Preparation Project for groundwork for the largest power plant in private sector.

PDB Secretary Mohammad Iqbal Hossain Khan and Director of the Chinese company Huang Bao Ding initialled the agreement on behalf of the respective sides at the PDB office yesterday.

US Company AES has already signed a contract for building the power plant, financed entirely by the Bangladesh government, on the bank of river Meghna.

## BB treasury bill auction held

The 29th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills of Bangladesh Bank were held Sunday, reports UNB.

A total of Tk 345 crore for 28-day bill, Tk 53 crore for 364-day bill and Tk 68.85 crore for 2-year bill, and Tk 15 crore each both for the 91-day and 182-day bills were offered.

Of these, Tk 255 crore, Tk 10 crore, Tk 5 crore, Tk 27 crore and Tk 7.85 crore for 28-day, 91-day, 182-day, 364-day and 2-year bills were accepted respectively, said a central bank press release.

No bid was offered for the 5-year bill.

The range of the implicit yield of the accepted bids against the 28-day, 91-day, 182-day, 364-day and 2-year bills were 7.78 per cent-7.85 per cent, 8.63 per cent-8.65 per cent, 9.30 per cent, 10 per cent and 10.30 per cent-10.33 per cent annum respectively.

## Russia hopeful of winning new IMF loan

MOSCOW, Mar 22: Russia has a 75 per cent chance of getting a new loan from the International Monetary Fund to help cover its large debts, the Central Bank chief predicted Monday, reports AP.

Viktor Geraschenko, the bank chairman, said the bank's hard currency reserves would not be sufficient to keep the rouble stable and to pay off the country's foreign debts for much longer.

He also acknowledged that "restructuring (Russia's debts) was a necessary thing."

Prime Minister Yevgeny Primakov heads to Washington on Tuesday and his talks this week will include a meeting with IMF chief Michel Camdessus.

Russia is seeking at least \$4 billion in new loans, Geraschenko told the Interfax news agency. An IMF team was in Russia last week but left without any sign that it was prepared to recommend new loans for Russia.

Russia faces \$17.5 billion in foreign debt payments this year, and has said it can only pay about half that amount without receiving additional loans.

Asked about the prospects for an IMF loan, Geraschenko said, "maybe not 100 per cent, but 75 per cent to 25 per cent."

The IMF froze loans to Russia after the country's financial markets collapsed last August.

## Foreign fast food firms flourish in Pakistan

KARACHI, Mar 22: Business has boomed for foreign fast food firms in Pakistan since they arrived here two years ago and began to change the eating habits of city-dwellers rich and poor, reports AFP.

Besides affluent regulars, even low-income families spare what they can from meagre budgets to treat children fascinated by the craze, customers say.

"This is the third time this month my son has forced me to buy dinner from McDonalds to get the gift of a super shifter car toy," Anjum Niaz told AFP at the crowded super-eatery in this port city.

Kentucky Fried Chicken (MFC) opened its first restaurant in Karachi in 1997 and was quickly followed by four other American companies.

The first pizza hut outlet was set up two years ago in the seaside Clifton area here and Mr Burger opened its first outlet last year.

KFC now has eight restaurants in Karachi and another two in Lahore, the second largest Pakistani city. McDonalds runs one here and two in Lahore.

"I enjoy this food which has become a craze worldwide. I take it as normal meal everyday," said Samina Anjum, an affluent fast food fan.

Sharif Prime Minister (Nawaz Sharif) is also fond of fast food, she said, recalling the premier's visit to one of the restaurants in Karachi.

# Pakistan plans power price cut defying IMF aid condition

ISLAMABAD, Mar 22: Pakistan's troubled power utility WAPDA was reported here to be considering cutting electricity prices despite IMF pressure to raise them as part of a rescue package for the faltering economy, reports Reuters.

"Instead of going for the much talked about increase, we have now requested a tariff reduction, an unnamed senior official of the Water and Power Development Authority told the News newspaper's Sunday edition.

The News and Nation said that WAPDA, which is seen as a "black hole" of debt and inefficiency by Western donors, has scrapped plans for an 11 per cent increase and was now seeking authority for a 6.5 per cent cut.

There was no immediate confirmation of the reports, which said WAPDA had withdrawn a proposal to the National Power Regulatory Au-

thority (NEPRA) to increase tariffs in favour of a cut NEPRA was set up as an independent, commercial regulator.

The reports follow a statement last week, by Water and Power Minister Gohar Ayub Khan that a cut might stimulate demand and raise more revenue than an increase agreed with the International Monetary Fund earlier this year.

If confirmed, the tariff reduction would worry western donors who are already concerned about Pakistan's compliance with IMF targets for a bailout package in the wake of sanctions imposed for last May's nuclear tests.

Donor sources said governments were already concerned that Prime Minister Nawaz Sharif's administration might throw the economy out of the IMF's strict spending matrix by launching costly schemes to kickstart a depressed economy.

They said that the country's economic performance barely passed an IMF review last month and reported serious concern about the government's seeming inability to increase revenue collection, another cornerstone of the IMF accord.

There was concern among donors that plans to increase pay for the army, lift a ban on recruitment for the civil service and reports that Sharif was considering launching a job-creation scheme were all viewed warily by donors.

Earlier this year the IMF finally released tranches of a 1.56 billion dollars loan which had been frozen by anti-nuclear sanctions and allowed that government to negotiate rescheduling of some of its 32 billion dollars debt with Paris Club donor states.

The disbursement boosted Pakistan's reserves to around 1.6 billion dollars after touching lows of 400 million dollars, barely a month's import cover, but economists said the IMF terms gave Pakistan no leeway and imposed strict spending and collection targets.

"It was a keep-you-a-float package, and a lot of governments felt that this was a final chance for Pakistan to comply properly with IMF conditionalities, something it has signally failed to do in the past," one donor diplomat said.

WAPDA is seen as a crystallization of Pakistan's economic woes, it has a 65 billion rupee (1.3 billion dollars) deficit, most of which is owed by provincial authorities, government departments and the army, according to published figures.

Theft of power through illegal connections and tampering with metres is so widespread that Sharif this year used the army to collect bills and stamp out pilfering in a move which sharply raised the military's profile in the country's affairs.

## ADB to prepare microfinance strategy

Asian Development Bank approved a regional technical assistance grant worth four lakh US dollars for preparing a microfinance strategy, reports UNB.

Microfinance — providing the poor with loans, savings facilities and other financial services such as insurance — is recognised as a powerful tool for poverty reduction and has been particularly successful in countries such as Bangladesh and Indonesia, says the ADB.

However, despite the rapid growth in microfinance services in the region, less than five per cent of poor households in the Asia and Pacific region have access to formal financial services, the Bank's Dhaka mission said in a news release on the grant yesterday.

"The ADB strategy will include expanding access of the poor to such services."

An ADB Taskforce on micro-finance will carry out in-country consultation in several developing member countries of the bank.

Other activities under the technical assistance will include a regional workshop in Manila to obtain further inputs for the strategy and a study of the role of central banks in micro-finance development.

The consultations and the study will cover 12 countries — Bangladesh, China, the Philippines, India, Indonesia, Kyrgyz Republic, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Vanuatu and Vietnam.

## Aussie tourism industry gets slight lift

CANBERRA, Mar 22: Australia's tourism industry, battered by the Asian crisis, recovered slightly in January with overseas visitor arrivals up by nearly 10,000, the latest figures show, reports AP.

Short-term visitor numbers rose to 361,600 in January, seasonally adjusted, compared with 351,900 the previous month, the Australian Bureau of Statistics said Monday.

There were 2.6 million visitor arrivals to Australia between July 1998 and January this year, down 2 per cent compared with the same period a year earlier.

During 1998, 3.2 million Australian residents went overseas, up 8 per cent compared with 1997.

The majority of these residents were destined for New Zealand. Visitors from New Zealand accounted for 17 per cent, Britain 11 per cent, the United States 9 per cent and Singapore 5 per cent.

# Service to ensure uninterrupted calls, quality voice CityCell comes up with multiple access system

Star Business Report

No more unfinished calls due to connection snap-offs of your cellular phone.

For the first time in South Asia, CityCell is going to launch on Friday a new-generation Code Division Multiple Access (CDMA) service for the mobile phone users in Bangladesh, which will ensure uninterrupted calls and quality voice.

This isn't all. There will be many more facilities a mobile phone user would be able to enjoy like accessing e-mail by using CityCell's CDMA service.

The new service would not require a simm card as in case of Global System for Mobile Communications (GSM). Instead, a chip would be attached to the mobile phone set, said Faisal Morshed Khan, Director

of the Pacific Group of Companies, while talking to the Daily Star about the new technology.

To enjoy the CDMA service, a user will need a Motorola or Samsung set, which would be made available through two local distributors, he said.

Any GSM cellular phone user of CityCell can have his set changed for another having CDMA chip. He will only have to deposit his old phone set and get the new one for free from CityCell.

With the current services available for GSM set users, the CDMA service also promises to provide a wide range of facilities like checking e-mails, passing brief messages not exceeding 28 characters, hot-line services and tele-banking services with the ANZ Grindlays, Stan-

dard Chartered and Hongkong Shanghai banks.

"The phones would also have a list of doctors available round-the-clock, 24-hour airline timetable, railway schedule and stock reports," according to Khan.

Besides, a CDMA phone user, unlike the GSM users, will be able to know his phone bill any time by using a password.

The 30 million dollar project aims to provide the new service to as many as 100,000 subscribers.

CityCell's infrastructure for CDMA has been provided by Motorola while ANZ Grindlays, City Bank, UCBL, Prime Bank, IPDC and NCCBL were the major financier of the project.

# G7 mulling over waiving \$20b loans to poorest nations

TOKYO, Mar 22: The Group of Seven (G7) industrial powers are considering waiving all their officials development aid, worth some 20 billion dollars, to the world's poorest nations, a press report said here, reports AFP.

The idea has been drafted by Germany, the chair of the annual G7 summit, and supported by the United States, Britain and Canada, the leading business daily Nihon Keizai Shimbun reported from Washington.

The G7 also groups France, Italy and Japan.

Germany also proposed the International Monetary Fund sell five million to 10 million ounces of gold from its holdings to help reduce the debts owed by the poorest countries to international lending institutions, the daily said.

The gold-sales plan has been basically endorsed by the IMF and the wealthy nations, the report added.

A total of 41 low-income, heavily indebted countries — mostly in Africa, Latin America and Asia — are to benefit from the proposed waiver. Vietnam, Laos and Myanmar will be the Asian beneficiaries.

Japan has extended some 8.5 billion dollars in official development assistance (ODA) to the 41 countries, the biggest among the G7 group.

It has yet to clarify its position toward the debt-forgiveness scheme but is expected to press for strict criteria in keeping with progress in reforms in the debtor countries, the daily said.

The G7 nations plan to call a special meeting of finance

minister in May to work out the details of the debt-relief initiative, aiming to reach agreement before the G7 summit in Cologne, Germany, in June, the report said.

Since the 1988 summit in Toronto, the G7 has reached several agreements on practical reductions in credit to these countries.

But there has been mounting criticism from Europe and the United States that the conditions, attached to agreements, were too stringent and the scope of waivers was insufficient, the report said.

The latest initiative sets a precedent by offering to cancel all debt principal on officials development assistance, the daily said. Until now, only deferment of long-term ODA debt has been permitted.

# Interconnected bourse a boon for small town Indians

MUMBAI, Mar 22: The Interconnected Stock Exchange (ISE), a dream of many small investors living in far-flung towns across India, came true yesterday when its satellite-linked trading terminals went online.

It was quite a moment for many who have been waiting for long to trade at the ISE that connects 15 bourses across the country. The ISE, the first of its kind in India, has its headquarters in New Mumbai Information Technology Park.

Explaining its concept, ISE managing director Joseph

Massey said brokers of the regional stock exchange can now place orders from their terminals to the ISE trading system that does the order matching and sends confirmation to the respective regional exchange. A common clearing house would handle the settlements.

A broker of any of the regional bourses which are approved by the Securities and Exchange Board of India (SEBI) can become an ISE member. The ISE member gets a separate SEBI code and will have trading terminals.

The ISE may prove to be a

boon for stockbrokers associated with regional exchanges. The local broker can place orders directly without sharing his commission with his agent at major bourses like the Bombay Stock Exchange (BSE) or the National Stock Exchange. Similarly, investors can buy and sell shares which are not being traded in the local market, said Massey.

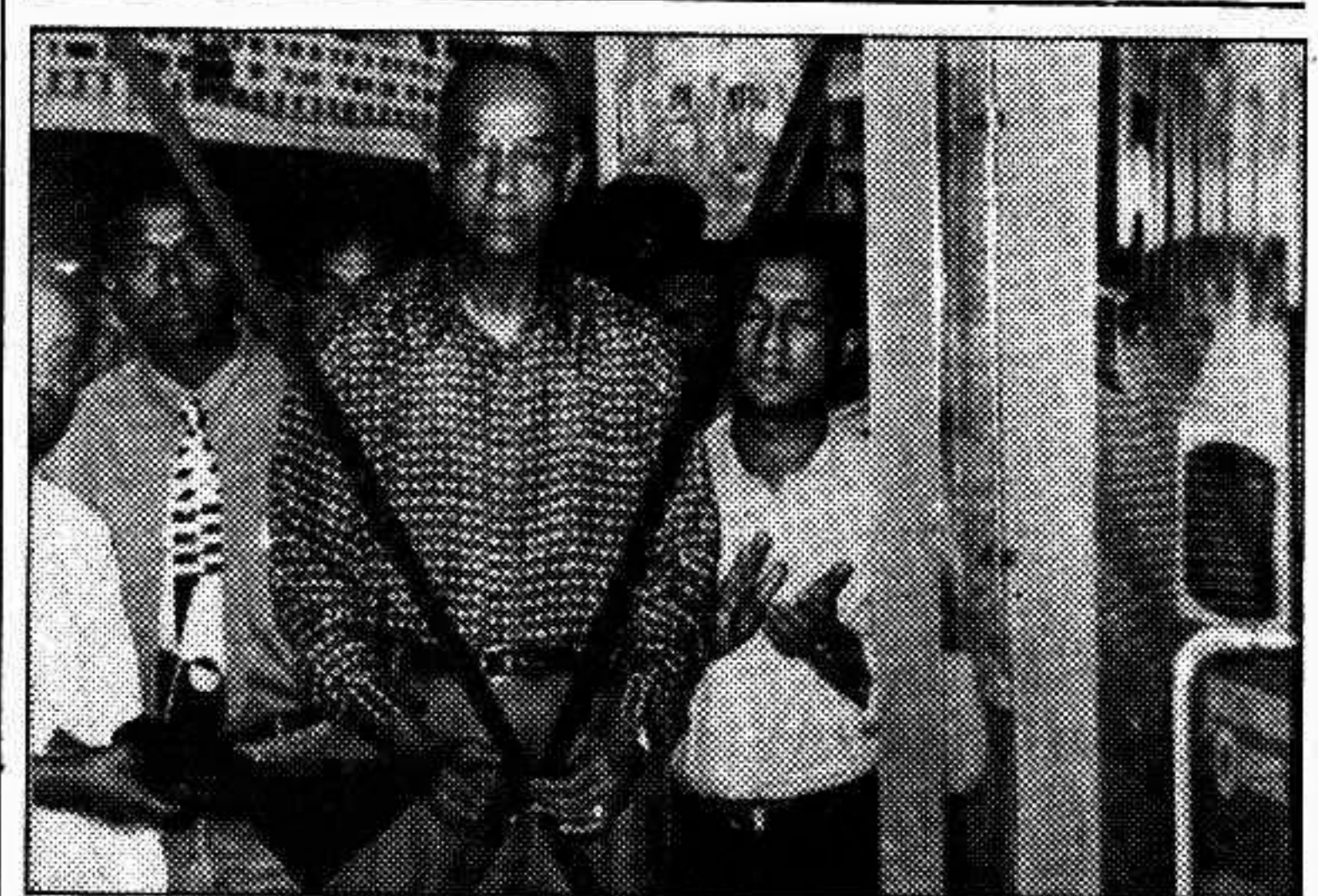
Though there are 15 exchanges in the country with 4,500 brokers, only half of them are active at present. In the next three months, ISE expects a daily turnover of Rs 2 billion (\$47 million) with over 500 active brokers using the exchange. Traders in major bourses are not very enthusiastic about the development.

The regional exchanges have been facing massive problems of bad deliveries and fake share certificates. These problems, in turn, would be exported to the major bourses which have enough of their own problems, said a trader of the BSE. The concept would gather momentum if it was linked to depositors.

The brokers of the regional stock exchanges should be allowed to trade only in the dematerialised shares, he said. An ISE member, however, claimed that the problem of bad deliveries was being faced by every exchange across the board.

As time passes these problems would decrease once the dematerialisation becomes compulsory in majority of shares.

— India Abroad News Service



Kazi Abdul Mazid, Managing Director of Prime Bank Limited, inaugurates a new Samsung Sales and Display Centre at the Bangabandhu National Stadium Market Friday.

—Electra photo

# Unemployment eating at China's 'wall of steel'

BEIJING, Mar 22: When economic restructuring got family members laid off, the troops of the People's Armed Police in the rust-belt Chinese city of Anshan began to fret about the future, reports AP.

Faced with a plunge in morale, commanders had the troops see for themselves. Soldiers and officers were given tours of Anshan's struggling steelworks and lectured that layoffs were key to the huge plant's survival.

The miseries of mounting unemployment are starting to spread from China's work force to the 'Great Wall of Iron and Steel' — the army and paramilitary units that guard the ruling Communist Party against festering social unrest.

The tough job market also is snarling efforts to trim the People's Liberation Army, the world's largest, into a leaner, modernised fighting force. Partly because it is hard to find demobilised soldiers other jobs the army only reached two-thirds of its target to shed 150,000 to 200,000 men in 1998,

the first year of a three-year programme to cut 500,000.

Disgruntlement in pockets of the army and paramilitary police raises questions about whether troops whose loved ones are out of work can be relied on to quell frequent protests by jobless workers and overtaxed farmers.

Communist leaders need only look to the 1989 Tiananmen Square democracy protests and the danger. A small minority of soldiers and officers, reportedly including the commander of China's 38th Army whose daughter was involved in the protests, balked or questioned orders to crush the demonstrations.

That the army followed the orders, despite many officers' misgivings, was testimony both to its discipline and its commanders' loyalty to the paramount leader Deng Xiaoping. But Deng's successor, President Jiang Zemin, lacks the late leaders' clout.

The army's backing "is now conditional," Ellis Joffe, an expert on the Chinese military,

wrote recently in Hong Kong's South China Morning Post newspaper. "If things go well, it will be forthcoming. If there is a serious downturn, it will not be guaranteed."

While China's economy is still growing, unemployment is rising. State factories have shed millions of workers who once were promised jobs for life. Almost 16 million urban residents, 11 per cent of the urban work force — will be jobless this year, state news media have said.

Despite efforts to avoid it, some relatives generally wives — of low-paid soldiers have been among those to lose their jobs. Reports in China's tightly controlled state and military media indicate that morale, particularly in hard-hit areas, is suffering as a result.

In some cases, even loyal Communist Party officials are expressing doubts.

"I earn the only wage and look after three people, as well our parents on both sides, of whom are sick. I've got quite into debt because of this," said

Fu Jiayong, an army political instructor whose wife was fired from an ailing factory in the depressed northeast.

Fu, speaking on a TV programme about unemployed army wives, said that as a party member he backed government policies that are forcing state factories to become more efficient, according to a transcript of the programme published in the military-run Liberation Army Daily.

"But I also am puzzled," Fu added. "As reforms deepen, the benefits for the people should get greater. Why must there be layoffs and staff reductions?"

At the start of 1998, 78 per cent of family members who followed soldiers to their postings had jobs, a figure that rose to 82 per cent by the beginning of this year after concerted government and army efforts to find them jobs, the Liberation Army Daily said.

But employment is patchy. In northern Hebei province, 31 per cent of 1,500 army wives were unemployed. In the de-

pressed northeast and border areas, the figure is estimated as high as 50 per cent.

That means many families must rely on army wages that, despite a 20 per cent raise at the start of the year, are not generous. Captains for instance, get about 800 yuan (dls 96) a month, with free housing and medical care and small subsidies for food. Managers in the business sector earn several times that and also get benefits.

Western experts say morale problems are not spread evenly across the whole military.

"I am sure that those people who are being groomed for possible services in the Spratlys or against Taiwan get better treatment," said Dr. June Teufel Dreyer, an expert on the Chinese military at the University of Miami.

To help soldiers' relatives find work, the army has given thousands of them classes on computer use, tailoring, hair-dressing, animal husbandry and other skills. They also have been allowed to open laundries, canteens, reading rooms and

## Asian server market revenues shrink in '98

SINGAPORE, Mar 22: Revenue from the Asia-Pacific region's server markets shrank by 13 per cent from a year ago to 3.4 billion US dollars in 1998, information technology research firm International Data Corp (IDC) said here, reports AFP.

However, revenues are expected to pick up in 1999, as server markets recorded a drop of five per cent in the second half of 1998 compared with 20 per cent in the first half of last year, IDC said in a statement.

IDC excludes Japan from the Asia-Pacific survey.

"Despite revenue contractions across the board, the reductions were more subtle in the second half of the year and the top markets continued to perform," said Aneesh Saxena, Systems and Servers Manager at IDC Asia-Pacific.

The server market in China "continued to serve as an engine of growth, emerging as the largest regional market in 1998," Saxena said.