The Daily Star
BUSINESS
DHAKA, THURSDAY, APRIL 22, 1999

Deal signed

Dutch aid to Bangladesh will continue

Bangladesh and the Netherlands signed a document here yesterday to pave the way for a new joint development cooperation programme in the coming years, reports UNB.

Dutch Ambassador Dick CB den Haas and Joint Secretary of the Economic Relations Division Abu Saleh signed the document on behalf of their respective sides.

The document signals two major policy changes in the Netherlands-Bangladesh development cooperation, said a press release of the Netherlands Embassy here.

Eveline Herfkens, the new Minister for Development Cooperation of the Netherlands, has decided with the support of Dutch Parliament to reduce the number of countries received Dutch aid.

Bangladesh, however, is among the 19 developing countries that will continue to receive the financial aid from the Netherlands.

The document reinforces the choice of development concentration sectors that will continue to receive assistance from the Netherlands such as integrated water-arrangement, basic health and education in Bangladesh.

The approach of development cooperation, however, will change significantly in close dialogue with the government of Bangladesh, the financing of single projects will be replaced by a sector-wide approach, the release said.

JS body reviews report on sugar, salt marketing

The parliamentary standing committee on Commerce Ministry at a meeting yesterday reviewed the report of an inter-ministerial meeting on the marketing of sugar and salt imported by TCB, reports UNB.

The meeting, chaired by committee chairman Raziuddin Ahmed Razu, also discussed the activities of the sub-committee formed earlier for developing the tea estates under the Ministry.

Committee members Commerce and Industries Minister Tofail Ahmed, Meer Sakawat Ali, Muhibur Rahman, Master Mojibur Rahman, Biren Shikder, Akhter Hamid Siddiqui and Sarwar Jamal Nizam attended the meeting.

2-day workshop on product development held in city

A two-day workshop on 'Product Development' organised by ECOTA Forum, an event of ECOTA BEMAP (Bangladesh Export Marketing Assistance Programme) project, was held at WVA auditorium Monday.

Designers, artisans and managers from NGOs and SMEs participated in the workshop, says a press release.

The workshop was inaugurated by MD Nurul Islam, Director of ECOTA Forum, while the sessions were presided over by Susan Thrower of International Design Consultant, Louise Kempton of Marketing advisor of TradeCraft Exchange, and Kudsia Mahmud from Local Design Consultant. It was coordinated by Tareque Abdullah Khan, Programme Manager of the Forum.

The Director of the NGO Bureau Affairs SM Zafar Ullah distributed the certificates among the participants. Kajol Islam, Assignment Officer, was also present on the occasion.

Seminar on WTO held at NSU

Dr Joseph Pelzman, Professor of Economics, George Washington University, presented a paper on 'The Dispute Resolution Process in the new WTO (World Trade Organisation)' at the North South University (NSU) Tuesday.

Professor Hafiz GA Siddiqi, Pro Vice Chancellor of NSU, presided over the seminar and emphasised the importance of topic, especially for export-oriented Bangladesh industries such as garments, says a press statement issued in city yesterday.

According to WTO timetable, all favourable status that Bangladeshi exports enjoy will come to an end and our products will have to survive in the open market competition with similar products from other countries. The main thrust of WTO dispute resolution process is to ensure that no country enjoys undue non-competitive advantage.

Dr. Pelzman described the dispute resolution mechanism initiated by WTO and how even less developed countries like Bangladesh may redress genuine and legitimate concerns against powerful or advanced countries.

He mentioned the cases of dispute between Kodak (USA) and Fuji Films Japan and the banana dispute between Europe and the USA. Both WTO decisions went in favour of the US.

Export gains fall 10pc short of target in eight months

By Monjur Mahmud

The country's exports performed negatively in the first eight months of current fiscal, with the earnings falling more than 10 per cent short of the target.

The export, however, was up by nearly one per cent than that of the corresponding period of the last fiscal.

Against the target of US$ 3.75 billion for the July-February time, the actual exports figured US$ 3.36 billion.

"The performance in February was very poor as there were some 15 workless days including six for hartals," said an official of Export Promotion Bureau (EPB).

Exports fetched only $382 million during the month against the average monthly target of 469 million dollars.

In taka terms, export earnings during the July-February period of this fiscal year were Tk 16 billion, which is 8.76 per cent less than the target but 7.59 per cent more than that of the corresponding period of the previous fiscal year.

Meanwhile, the government has scaled down the export target by US$ 170 million to $5.63 billion for the current fiscal. The commerce ministry realised that it was 'difficult' to achieve the previously set mark of $5.8 billion as exports suffered a major setback during the August-November period last year due to floods.

Primary commodity exports slumped in both the volume and value terms by 10.48 and 8.38 per cent respectively during the period .Industrial exports marked a slight fall in value while it registered a 3.32 per cent increase in volume.

The country's exports faced a setback due to prolonged floods last year, coupled with fall of prices in the international market, said an EPB official said.

He said sagging Asian economies and frequent currency devaluation slowed the demand and caused oversupply of some products, giving rise to tough competition among countries exporting similar products like garments and shrimps.

"We still believe the exports would reach close to the target as garment sector, the biggest export earner, has got substantial orders in hand," said another official of EPB.

Despite the severe 1998 floods, readymade garment (RMG) sector posted a better performance in the July-February period, surpassing the figure of the same period last year.

It fetched US $1914 million from July to February, up from the targeted 1837 million.

A total of 2.76 billion US dollars are expected from the sector n the 1998-99 fiscal year which accounts for 49 per cent of the year's total projected export earnings.

Some 233 million dollars were expected from frozen foods, mainly shrimps, in July-February period while a paltry 186 million dollar came from the sector, recording a 20 per cent fall.

Tea had a good market during the period fetching 33 million dollars, 18 per cent up the target.

Performance of raw jute export was hopelessly poor during the first eight months of the current fiscal, trailing behind the target by 43 per cent. Against the target of 88 million dollars, raw jute has earned only 40 million dollars till February.

Jute goods and hides also demonstrated lacklustre trade, falling short of target by 15 per cent and 29 per cent respectively.

Some 176 million dollars came from jute goods in July-February period against the target of 208 million, while hides fetched only 105 million against the target of 150 million dollars.

Knitwear worth $626 million was exported against the target of $785 million during the period, which is 20 per cent lower than the target. However, this was 11 per cent higher than the corresponding period of the last fiscal year.

The United States was the top importer of Bangladeshi products and imported goods worth $1200 million during July to February of this fiscal. This accounts for 36 per cent of the country's total export earnings.

Chemical fertilisers worth $35 million was exported during the period against the target of $65 million.

Suspension likely to be withdrawn soon

Mystery shrouds excess JH Chemical shares

By M Shamsur Rahman

JH Chemical Ltd, the lone [illegible] producing industry in country, is now facing a trading suspension on both the stock exchanges. The suspension came after the DSE had unearthed an excess of 32,000 shares which were not supposed to be on the market.

A press statement issued by the DSE on April 13 this year merely said that the excess shares could not have been those of the sponsors since there was a legal bar restricting them from disposing off the shares in three years to mid-2001.

But yet there were 32,000 excess shares, raising widespread apprehension among the brokers that these could be fake.

But when two of the company officials came to visit DSE after the bourse had slapped the trading suspension, they were shown two different scrips, which was recently verified -- a share certificate bearing the number 6715 and an allotment letter with the number 2741.

On being shown, the officials said that both of the scrips were real ones. This led to the conclusion that the company was engaged in a serious fraudulent act since the share certificate was issued in lieu of the allotment letter and the allotment letter was not supposed to be on the market.

A probe into the affair revealed that the company had recently reshuffled its management with four new directors replacing the old ones. One of the old directors, however, continued in his post. A deed was signed in this regard between the two parties on March 2, 1999.

As there was a legal bar constricting the old directors from selling their shares, the parties decided to deposit the sponsors' stakes with a custodian until the barrier was off.

The new arrangement also required approval of the Registrar of Joint Stock Companies and Firms and this nod was given on April 12 this month.

The trading suspension of the company's shares came at a time when it was readying to inform the Securities and Exchange Commission (SEC) and the two bourses. The suspension was followed by formation of an enquiry committee by the regulatory authorities to probe into the alleged allegations.

Many now believe that the company had circulated both share certificates and allotment letters resulting in excessive shares on the market, none of which were fake.

"The arrangements seems to have been made in collaboration with some brokers who needs to be identified," said a member.

Some are also questioning the role of the DSE, which kept mum for 18 days prior to taking any action.

"The DSE could have easily asked the company for records and verified the 32,000 excess shares which were deposited with its clearing house. But the DSE waited for 18 days before it decided to suspend the trading," another member said.

Meanwhile, the company on Tuesday last wrote to the DSE to lift of curb assuring that the shares would be re-verified and bear a hologram.

The DSE authorities are now thinking of waiving the suspension provided that the company agrees to re-verify the shares, put holograms on new certificates and withdraw the allotment letters.

And those excess share certificates on the market could easily be traced back as all transactions bore share numbers and transaction records along with brokers' workstation identifications were kept with the DSE.

"By tracing these shares back, one could easily identify the brokerage houses which were involved in the scam," the member said.

HANOI (Vietnam): People walk their motorcycles through rows of other motorcycles at a parking area in Hanoi Wednesday. Vietnam is changing from the age of bicycles to that of motorcycles thanks to the economic growth achieved since the country switched to a market economy.
— AFP photo

APEC confce on Y2K bug starts today

SINGAPORE, Apr 21: As experts from the Asia-Pacific region prepared to discuss the millennium bug at a two-day forum, they said the conference, which starts Thursday, will issue no judgement on the region's readiness for Year 2000, reports AP.

Instead, the experts said, they will rely on the region's solidarity to identify critical points that might break down and start a "domino effect" of failures among the 21 members of the Asia-Pacific Economic Cooperation group.

"We are focusing on inter-dependencies in key sectors" of transportation, energy, telecommunications, financial services and customs, Timothy Hannah, executive director of the APEC Secretariat, told journalists Wednesday.

Between 100 and 150 officials and Y2K experts from APEC will discuss how to prepare for the millennium bug.

The glitch, an offshoot of old programming that doesn't distinguish between the years 1900 and 2000, could cause catastrophic computer shutdowns on January 1.

"We want to see if we are addressing these inter-dependencies well enough .... or if not, we want to take steps and address these gaps," said Nancy Stiles, head of Canada's Year 2000 coordination committee.

But she warned it is "impossible to make a judgement about the readiness of these 21 economies."

"There will be no explicit grading of the countries" in terms of their Y2K preparedness, Stiles added.

Instead, countries that are ahead in preparations "will be seeking to help other APEC economies," Hannah said. "We have to assist each other ... relying on solidarity and consciousness-raising."

The expert speakers will include David Behrens, assistant director of the International Air Transport Association; Masanori Yoshikai, deputy director general of Japan's Ministry of International Trade and Industry; and Michael Yap, head of Singapore's National Computer Board.

Dollar up despite record US trade deficit

NEW YORK, Apr 21: The dollar rose against most major currencies Tuesday even as the United States hit a record trade deficit in February, reports AP.

In late New York trading the euro was quoted at $1.0624, down from $1.0638 late Monday. The dollar was worth 118.78 Japanese yen, up from 117.58 yen.

Traders bought dollars even though the government reported that the US trade deficit soared to another record, widening to dlrs 19.4 billion in February, a 15.6 per cent increase over January's record imbalance of $16.8 billion.

Normally that kind of news would be negative for the dollar because other countries would have a perceived economic advantage over the United States.

But Allison Montgomery, a currency analyst at IDEA Inc, said the widening deficit "doesn't become an issue while foreigners are willing to finance it" by investing in US securities like Treasury bonds.

Also, the European Central Bank's president, Wim Duisenberg, said Monday the bank wasn't prepared to intervene in currency markets to protect the falling euro, which has slid since its launch in January. The euro fell to its lowest level yet against the dollar on Monday.

The yen lost strength even as top Japanese officials, including the finance minister and the ministry's international bureau chief, expressed continued dismay at a strong yen. A top ministry of finance official, Eisuke Sakakibara, reiterated his position from Monday that Japan would move quickly to kill what he termed premature strengthening of the yen.

US redoubles efforts to keep up global financial reform momentum

WASHINGTON, Apr 21: Amid signs the world's worst economic crisis in half a century may finally be easing, the US administration yesterday redoubled its efforts to keep up the momentum for revamping the global finance system, reports Reuter.

But just days ahead of a meeting of top financial leaders here, few observers expected them to agree on any grand new designs to make the world economy a safer and sounder place. Tender signs of recovery in the world economy may make them too relaxed about the need for painful reforms, they warned.

Even US officials privately caution against expecting too much out of a gathering that they insist is merely designed to prepare the ground for a meeting of heads of state of the Group of Seven industrial nations in June in Germany.

US Treasury Secretary Robert Rubin was scheduled to lay out his agenda for the finance summit in a key policy speech on Wednesday. President Bill Clinton was set to provide a preview of those plans in a speech later on Tuesday.

"(He) will talk about the progress that we've made over the last six months or so and some of the new ideas as we move toward the meeting in Cologne in June," a White House spokesman told reporters. "He'll have some new ideas."

Ways of preventing future crises will top the agenda when G7 finance ministers meet in Washington on Monday, ahead of the spring meetings of the International Monetary Fund (IMF) and the World Bank on Tuesday and Wednesday.

But a growing chorus of voices proclaiming that the worst is over for the battered world economy may well turn out to be counter-productive — despite evidence of a turnaround in some Asian nations and undiminished strength in the US economy.

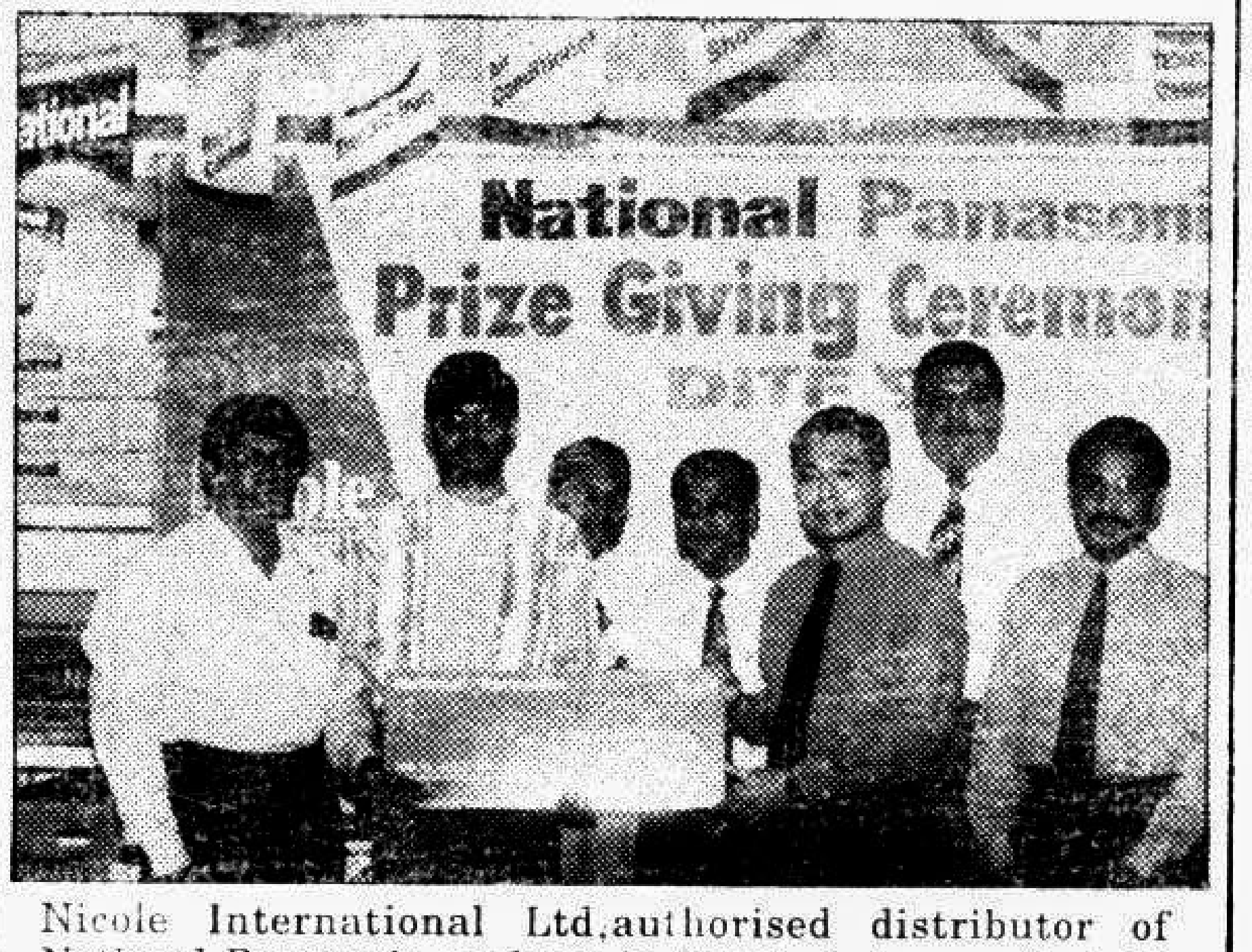
"There's a danger that as you see some upturns, the pressure for reforms recedes — both at the individual country level and, more generally, in the system as a whole," said Morris Goldstein of the Institute for International Economics.

On Tuesday, it was the IMF that declared victory over the turmoil that has rattled the world economy over the past two years, insisting there was light at the end of the tunnel.

"I do believe that the worst of this crisis is behind us," IMF chief economist Michael Mussa told Reuters Television.

The G7 and the IMF have grappled with ways to strengthen the financial system ever since Thailand fell victim to an economic crisis in 1997, igniting a financial firestorm that has circled much of the globe. But progress has been slow and many critics say the effort has often been half-hearted.

US efforts now centre on how to ensure private investors pay their fare share when things go wrong and a country needs to be bailed out. But bankers and private bond holders have yet to warm up to proposals that many say would make them less willing to invest in emerging markets.



Nicole International Ltd,authorised distributor of National Panasonic products in Bangladesh,recently held a prize giving ceremony for a competition held during the DITF earlier this year. Company Director Ang Chor Chen awards M Ahsanul Hoque the first prize of Dhaka-Bangkok-Singapore-Phuket-Dhaka air tickets for two.
— Adcomm photo

Plenty of threats still around

Worst may be over for world economic crisis, says IMF

WASHINGTON, Apr 21: The International Monetary Fund reported Tuesday that "significant positive developments" in the world economy this year raise hopes that the worst may be over for a financial crisis that pushed one-third of the globe into recession, reports AP.

Issuing its latest "World Economic Outlook," the IMF insisted there are still plenty of threats around. But for the first time since the crisis erupted, the 182-nation international lending organisation was able to revise its previous growth forecast slightly upward instead of being forced to admit it had been overly optimistic.

The IMF said it believes the global economy will expand by 2.3 per cent his year, just 0.1 percentage point higher than a forecast it made four months ago. That would still make this year the weakesHirince the last global recession in 1991.

But looking further into the future, the agency saw a solid rebound in 2000 with the economy returning to growth of 3.4 per cent.

"Global economic growth should pick up again in 2000 as adjustments in the emerging market economies run their course," the IMF economists wrote.

But for that to occur, the IMF said, the world's largest economy, the United States, must achieve a "soft landing" with growth slowing to a more sustainable pace to keep inflation pressures at bay. Japan, the second-largest economy, will have to finally exhibit signs of emerging from its worst recession in a half-century, the IMF concluded.

If weaknesses in Japan are prolonged further, if recent weakness in continental Europe intensifies or if the United States suffers a sharper slowdown than expected, risks to the global economy will rise markedly, the IMF said.

IMF forecasts also saw threats coming from the current NATO bombing campaign in Yugoslavia, warning of severe disruptions to neighboring countries in the region.

For the United States, the IMF predicted growth will slow from last year's sizzling 3.9 per cent rate to 3.3 per cent, with an even further slowdown to 2.2 per cent in 2000.

Japan's economy was projected to shrink against this year, with output falling 1.4 per cent — double last year's plunge. However, the IMF said there are hopeful signs that Japan's economy finally may be emerging from its decade-long period of weakness. It predicted and end to the Japanese recession and slight growth of 0.3 per cent in 2000.

The IMF was even more optimistic about other Asian countries, where plunging currencies and stock markets, triggered steep downturns, beginning first in Thailand in July 1997 and then spreading to other nations in the region.

"Activity has recently turned around in Korea and seems to have bottomed out in Malaysia and Thailand," the IMF said.

This assessment echoed a forecast released Monday by the Asian Development Bank, which reported "distinct signs that this sharp contraction may be bottoming out."

This view is a far cry from concerns last fall after Russian defaulted on billions of dollars in debt, throwing stock markets from New York to Buenos Aires into a tailspin.

Global downturn depresses exports

US posts record trade deficit

WASHINGTON, Apr 21: The US trade deficit soared to a record dlrs 19.4 billion in February as the global financial crisis depressed American exports for a fourth straight month and booming consumer demand pushed imports to an all-time high, reports AP.

The Commerce Department reported Tuesday that February's deficit was 15.6 per cent higher than the previous record, a $16.8 billion imbalance in January.

In February, US exports edged down 0.6 per cent to $76.6 billion, led by a $927 million decline in sales of commercial aircraft. Imports jumped 2.3 per cent to an all-time high of $96 billion as demand for foreign cars, clothing, toys, televisions and stereos soared.

With back-to-back records, the trade deficit so far this year is running at an annual rate of $215 billion, far surpassing last year's all-time high of $169 billion.

Economists believe that the trade deficit will continue to rise as long as the US economy remains strong and many of America's major export markets remain in recessions caused by the steep plunge in financial markets that began in Asia in July 1997.

A widening trade deficit is the one cloud on an otherwise bright economic picture for the United States, which has managed to remain what Federal reserve Chairman Alan Greenspan has termed an "oasis of prosperity" in a sea of economic trouble around the world.

Greenspan, however, expressed concerns last week about a growing movement toward protectionism in this country, a development that has the White House worried as well.

The administration is concerned that erecting US trade barriers will trigger copycat responses while jittery markets are fearful that political pressures will make nations turn inward in response to the worst global economic crisis in 50 years.

President Bill Clinton, worried about a growing protectionist mood in Congress, balked earlier this month at reaching a sweeping trade agreement with China. That disappointed many in the business community who have complained for years about China's high trade barriers.

For February, the deficit with China narrowed slightly to $4.6 billion. But America's deficit with Japan shot up 13.1 per cent to $5.3 billion. The administration is pursuing a number of trade negotiations with Japan in hopes of showing progress in opening that market to US firms by the time of Prime Minister Keizo Obuchi's visit next month.

In one bright spot, America's surplus in services, which includes such things as tourism and consulting fees, rose 4 per cent to a monthly record of $6.7 billion.

The surplus in services, however, did little to dent a record $26.2 billion deficit in the goods area. US exporters continued to find it hard to make overseas sales because of an economic crisis that has pushed one-third of the global economy into recession.

The February drop in exports included a 13 per cent decline in farm sales.