The Daily Star
BUSINESS
DHAKA, TUESDAY, MAY 4, 1999

Dhaka to receive $21.125m Kuwaiti loan for power project

The Kuwait Fund for Arab Economic Development (KFAED) will provide 6.5 million Kuwaiti Dinar (equivalent to 21.125 million US dollars) to finance the 60 megawatt Shajibazar Gas Turbine Power Station project in Habiganj district, reports BSS.

A loan agreement to this effect was signed between the KFAED and the Bangladesh government at the Economic Relations Division (ERD) yesterday. ERD Joint Secretary Md Sayef Uddin signed the agreement on behalf of the Bangladesh government while Deputy Director General Abdul Wahab Al-Badar initialled on behalf of KFAED.

Charge d'Affaires of the Kuwaiti Embassy in Dhaka Anbar Al-Mutairi was present at the signing ceremony.

The component of the project includes construction, supply, installation and commissioning of two gas turbine power generation units of 30 mw capacity each.

The turbine units will be installed as extension to and within the premises of the existing Shajibazar power station and be connected with the existing adjacent 132 kv grid substation and natural gas supply station.

When implemented, the project will increase the overall system generation capacity to meet the growing demand of electricity and reduce load-shedding during peak hours.

BB T-bill auction held

The 34th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held Sunday, reports UNB.

Of these, Tk 349.50 crore, Tk 22 crore, Tk 76 crore and Tk 121 crore were offered respectively for the 28-day, 182-day, 364-day and 2-year bills.

The range of the implicit yields of the bills were 7.49-7.74 per cent, 8.99-9.15 per cent, 9.60-10.00 per cent and 10.08-10.50 per cent per annum respectively.

Of these, Tk 349 crore, Tk 17 crore, Tk 18 crore and Tk 21 crore of 28-day, 182-day, 364-day and 2-year bills were accepted respectively.

The range of the implicit yields of the accepted bills were 7.49-7.64 per cent, 8.99-9.00 per cent, 9.60-9.65 per cent and 10.08-10.14 per cent per annum respectively.

EU to ease visa procedures for garment exporters

European Union (EU) Sunday assured Bangladesh's readymade garment exporters of expediting business visa to the EC countries, reports BSS.

EU Ambassador Antonio B De Souja Menezes gave this assurance when a delegation of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) led by its president Anisur Rahman Sinha called on him at the former's office in Dhaka. EC Counsellor Jorg Volker Ketelsen, BGMEA second vice-president Anisul Haque and vice president (Finance) Benazir Ahmed were also present.

The ambassador said steps would be taken soon by the European Union so that Bangladeshi readymade garment exporters could get visa easily for entering the EC countries.

IPDC makes Tk 94m profit

The 60th board meeting of the Industrial Promotion and Development Company of Bangladesh Limited was held yesterday at Dhaka under the chairmanship of K M Ejajul Huq, Secretary, Ministry of Industries, and attended by IPDC's shareholders, directors and alternates from the government, German Investment and Development Company (DEG), Commonwealth Development Corporation (CDC), International Finance Corporation (IFC) and Aga Khan Fund for Economic Development (AKFED).

It considered investments in sub-sectors like, ceramic tiles, GP/CGI sheet, poultry farming and electronic media and approved financial assistance of Tk 75 million as loan and equity in a ceramic wall and floor tiles manufacturing project, Tk 28 million in a poultry breeding and hatchery unit, Tk 65 million lease finance assistance to a GP/CGI sheet manufacturing plant and Tk 80 million as loan and equity in a private television channel.

The board also confirmed earlier approvals through circular resolution of investments of Tk 50 million loan to a limestone-based cement plant, US$ one million loan for expansion and modernisation of an export-oriented textile weaving and finishing mills, Tk 25 million lease finance assistance to an export-oriented stainless steel nuts manufacturing plant and Tk 75 million loan to an export-oriented plastic hangers manufacturing plant.

Surcharge, devaluation blunt products' competitive edge

Power flop takes hefty toll on textile industries

By Monjur Mahmud

Frequent power disruptions have hit the country's textile industries hard pulling down their production, sales and profitability.

At the same time, the production costs of these textile units are being pushed up making the units lose their competitive edge.

The imposition of the Development Surcharge (DSC) on imported raw materials, unabated flooding of local markets by smuggled textile goods, and the East Asian financial crisis have all contributed to the price escalation of local textile products.

"The situation seems to have further been aggravated by the near collapsing situation in power supply leading to serious production and financial losses by large number of industrial units," said Md Mozammel Haque, Chairman of Tallu Spinning Mills Ltd, in the company's annual report.

Frequent devaluation and imposition of DSC on imported raw cotton also took their tolls on the import-based textile industries.

Although the company's sales increased by 8.62 per cent in 1997-98 financial year, its gross profit fell due to the rising costs of raw materials, utilities and repeated devaluation.

"We have to spend more taka against dollar for the import of raw materials and spare parts and the imposition of DSC on imported raw cotton increased the production cost by an additional amount of more than Tk five million over the previous year," Tallu chairman noted.

During the year, energy costs registered a rising trend recording an increase of 10 per cent over last year. Due to frequent power disruptions, alternative diesel power generator had to be kept in operation, said Haque who is also the Chairman and Managing Director of Mithun Knitting and Dyeing Ltd.

MA Awal, Chairman and Managing Director of Prime Textile Spinning Mills Ltd, echoed the same concerns.

His company which incurred a massive loss of more than Tk 11.7 crore in the last fiscal year has been suffering from power crisis since long. The company installed gas generators, but the Titas Gas authority could not supply gas to keep the generators in operation.

"Due to the imposition of DSC on raw cotton import and frequent devaluation of taka, the landed costs of raw materials have been showing an upward trend causing a negative effect on the earning capabilities of textile companies," said MA Awal, Chairman and Managing Director of Prime Textile Spinning Mills Ltd, in his report.

Moreover, the East Asian financial crisis and derogation of GSP facilities have inflicted wide-ranging effects on the textile sector, he said.

"Because of derogation of GSP facilities, the market was flooded with yarn from the neighbouring country. As a result, yarn price fell by about 20 per cent in the local market."

Out of the total 41 textile companies listed with the bourses, The Daily Star reviewed reports of 12 companies which held their AGMs in the recent months.

Six of these companies registered increase in their sales while the rest six recorded declines. On the other hand, profit of eight companies inched down while that of only four increased. Seven companies could not offer any dividend to the shareholders during the year.

"Apart from the long time use of generators, the cost of production increased because of DSC and heavy devaluation of the local currency," said Syed Md Kaisar, Chairman of Saiham Textile Mills Ltd.

Fabrics imported for readymade garment (RMG) industries are available in the local market, which further depressed the market for the locally-manufactured cloths, he added.

"There has been a great loss of production and an increasing rejection of local textile goods due to erratic gas supply and breakdown of the printing machinery," said Abdul Matin Chowdhury, Chairman and Managing Director of Rahim Textile Mills Ltd.

Production and sales of the company declined by 17.28 per cent and 16.57 per cent respectively in 1997-98 over the previous year.

The export market came under massive pressure when the currency turmoil in East Asia led to heavy devaluation in 1997-98 and made goods produced in Thailand, Malaysia and Indonesia cheaper, he added.

"Due to this, most of our customers have relocated their businesses from Bangladesh to other ASEAN countries."

Mita Textile also had to face a serious setback in its sales and profitability due to power shortage, liberal import of yarn and devaluation.

"The Asian financial crisis and the global economic slowdown have brought back old garment manufacturers like Thailand, Indonesia and even Korea back into production and have established them as potential competitors for Bangladesh," said Md Zafar Ahmed, Chairman of Apex Spinning and Knitting Mills Ltd.

Habibullah, Chairman of Dulamia Cotton Spinning Mills Ltd, said: "The long-term local currency loans aggregating to more than Tk 21 million was taken for import of two gas generators and their installation, bearing 12 and 11.5 per cent interests respectively."

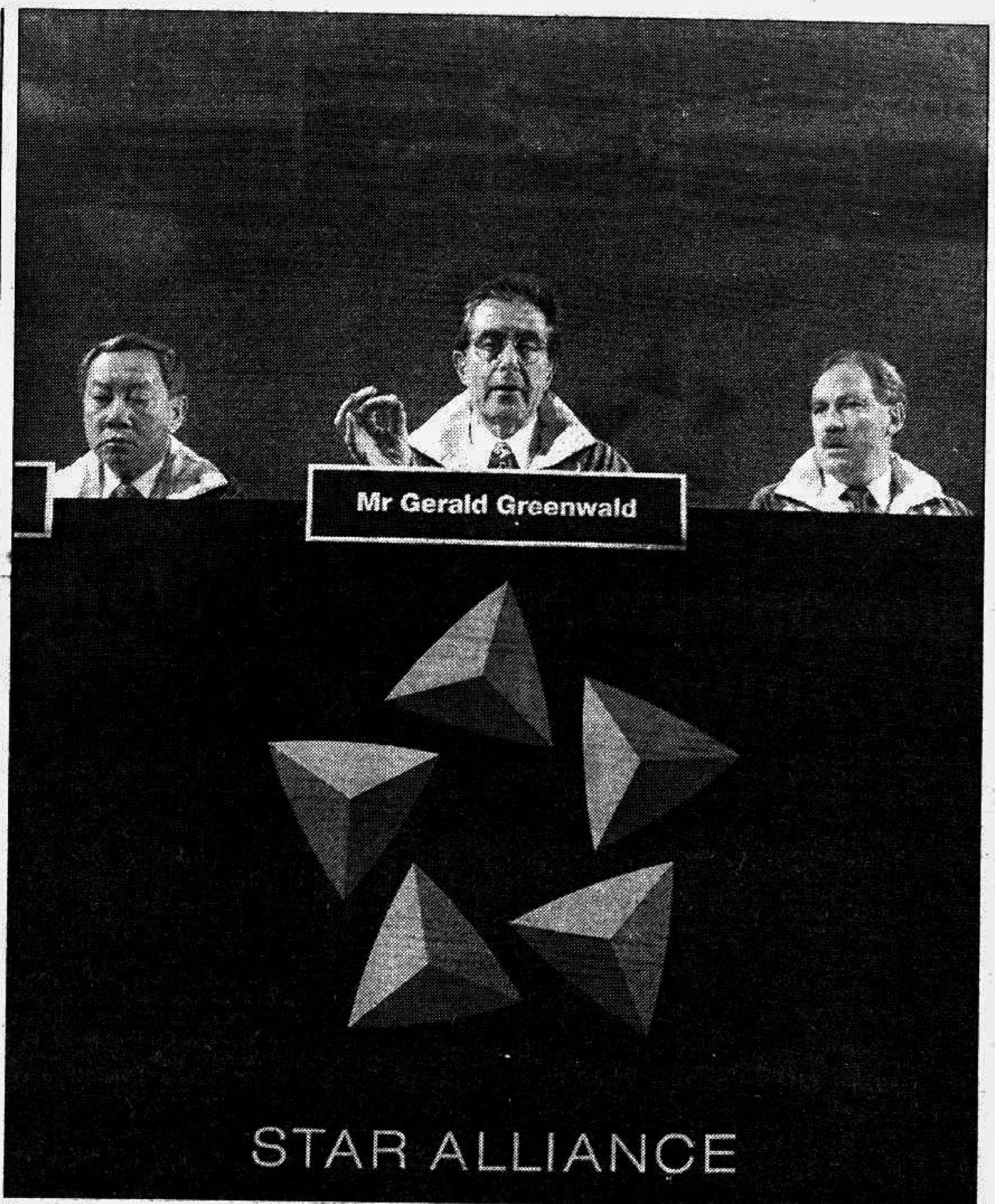
It was a crisis year for the company when prices and demand for the locally-produced yarn declined. Moreover, the local market was flooded with illegally-imported yarn and fabrics from the neighbouring country, he added.

He said that the company, as a result, was compelled to sale its products even at prices which were less than their production costs.

Devaluation of taka and the imposition of DSC also increased the production cost. The company suffered a total loss of more than Tk five crore during the period.

Jamal Uddin Ahmed, Chairman of Chic Tex Ltd, said the price of yarn produced by local spinning mills is about 40 to 50 per cent higher than that of the imported ones.

"The increased price of electricity, dyes and chemicals, extensive load shedding and other increased incidental charges had an adverse effect on the production and profitability," Ahmed stated, adding that the company could not achieve its desired results during the year.



Gerald Greenwald, Chairman & CEO of United Airlines (C), speaks to the media at the announcement of Ansett Australia's formal membership in the Star Alliance- a global airline network -, in a move which is expected to boost the profits of Ansett by 10 percent, in Sydney yesterday. From left to right are: Thamnoon Wanglee, President of Thai Airways, Greenwald, and Rod Eddington Executive Chairman of Ansett Australia.

— AFP photo

Prof Md Rafiqul Islam, State Minister for Energy and Mineral Resources, inaugurates the 20th branch of Prime Bank in Jessore on Sunday. Chairman of the Prime Bank Nurul Haq Sikder and Managing Director Kazi Abdul Mazid are seen in the picture.

— Prime Bank photo

Prime Bank branch opens in Jessore

Prime Bank Limited has opened a new branch in Jessore. With this, the number of branches of the bank comes to 20.

The new branch was inaugurated by the State Minister for Energy and Mineral Resources, Prof Md. Rafiqul Islam in Jessore on Sunday, says a press release.

The Managing Director of the bank, Kazi Abdul Mazid, presided over the function.

Engineer Md Nurul Haq Sikder, Chairman of the Board of Directors of the bank and Md Aminur Rasul, Deputy Commissioner of Jessore were present as special guests.

The sponsor Directors, Md Shahadat Hossain, Mafiz Ahmed Bhuiyan, Abul Kashem, Marina Yesmin Chowdhury represented by Azam J. Chowdhury and Salma Haq represented by Quazi Saleemul Huq and Deputy Managing Director of Prime Bank Syed Naser Bukhtear Ahmed and a large number of local elite peoples and businessmen were present on the occasion.

In his speech, the State Minister asked the private banks to supplement the government's development programmes by providing financial support to various development schemes, along with their regular programmes.

He said the success of all government programmes depends, to greater extent, on effective cooperation of the banks.

The Chairman, Engineer Md Nurul Haq Sikder, in his address reiterated that the Prime Bank will work in changing the default culture attitude of the borrowers and will continue applying the latest technology to provide the clients with most modern banking services.

Tofail says at ICC-B workshop in city

No alternative to developing appropriate human resources

There is no alternative to developing appropriate human resources to prepare the nation to face global competition in the coming millennium, reports BSS.

This was stated by Commerce and Industries Minister Tofail Ahmed while inaugurating a two-day workshop on "International Standby Practices for Documentary Credits and Arbitration" organised by the International Chamber of Commerce-Bangladesh (ICC-B) at a city hotel yesterday.

Tofail said private sector initiatives were imperative for the growth of the economy. He reiterated the government's commitment to help the private sector in this regard.

Presided over by ICC-B President Mahbubur Rahman, the workshop was attended by Commerce Secretary Syed Alamgir Faruq Chowdhury, MCCI President Mahbub Jamil, FCCI President AKM Shamsuddin, ICC-B Vice Presidents Latifur Rahman and Abdur Rob Chowdhury, executive heads of different banks and insurance companies.

Commending the role of ICC in the transfer of new and modern ideas and practices, particularly for the banking and trading sectors, the minister said ICC's role would greatly help the country to keep its pace with globalisation.

The two-day workshop is being conducted by Reinhard Langerich, Vice President of Uni-Bank, Denmark, and Louise Barrington, an expert on international arbitration. Langerich is also attached with the ICC Banking Commission and in the formulations of various instruments for international banking.

The workshop drew substantial participation from the bankers and professionals. A one-day workshop on the same theme will also held in Chittagong on Wednesday.

In his presidential address, Mahbubur Rahman said: "We must update our knowledge and energize our skill to face the challenges in the days ahead.

"Time is changing fast and the world is becoming more competitive every hour. If we fail to comply with the need of the hour, we will only lose the opportunities for our sustenance", he added.

Asian stocks close higher

HONG KONG, May 3 : Most Asian stock markets closed higher Monday, with the key index in Jakarta surging almost 6 per cent to its highest level in a year, reports AP.

Japanese financial markets were closed Monday for Constitution Day, a national holiday. The Thai stock market was also closed for a holiday.

Shares on the Jakarta Stock Exchange soared on buying by foreign investors who were encouraged by sings of an economic recovery and a stronger Indonesian currency.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 3.87 points, or 0.02 per cent, closing at 13,337.07. On Friday, the index had gained 153.5 points.

Elsewhere:

TAIPEI: Share prices closed slightly higher. The market's key Weighted Stock Price Index rose 12.09 points, or 0.2 per cent, to 7,383.26.

WELLINGTON: New Zealand shares closed lower, dragged down by a drop in the share price of new Zealand forest products concern Carter Holt Harvey Ltd. and market heavyweight Telecom Corp. of New Zealand Ltd. The benchmark NZSE-40 Capital Index fell 21.01 points, or 0.9 per cent, to 2,257.27.

SYDNEY: Australian share prices closed lower, with a round of profit taking among banks, News Corp. and the telecommunications sector dragging the broader market down. The All Ordinaries Index fell 26.6 points, or 0.8 per cent, to 3,074.5.

SEOUL: Share prices closed slightly higher. The Korea Composite Stock Price Index rose 3.04 points, or 0.5 per cent, to 756.53.

KUALA LUMPUR: Malaysian share prices closed mostly higher following an interest rate cut. The benchmark Composite Index rose 2.97 points, or 0.4 per cent, to 677.93.

SINGAPORE: Share prices closed mostly higher. The main Straits Times Index rose 12.05 points, or 0.6 per cent, to 1,898.24.

England may go for income tax cuts if UK splits

LONDON, May 3: England's main income tax rate could be cut if Scotland and Wales eventually become independent, economists and tax experts say, reports Reuters.

Scottish and Welsh voters go to the polls this week to appoint elected assemblies for two ancient nations.

The ruling Labour Party gave the Scots and Welsh their own parliaments to head off demands for independence, but the break up of the United Kingdom could be hard to resist once Scotland and Wales learn to flex their new democratic muscles.

While a split would represent the final demise of the once powerful British empire, taxpayers in the remainder of the United Kingdom could reap dividends.

"England would be able either to reduce taxes or have more money to spend," said Carl Emmerson, of the Institute of Fiscal Studies in London.

English taxpayers subsidise Scotland by around six billion pounds (9.7 billion dollars) a year, but the net tax saving of separation would be lower.

"The rest of the UK would gain about 3.0 billion pounds from Scottish independence, since many public services like defence, diplomacy and economic policy would cost just as much without Scotland as before," said Douglas McWilliams, chief executive of the Centre for Economics and Business Research.

"Excluding oil .... Scotland has received a subsidy from the rest of the UK of 5-10 per cent of GDP in recent years. This is larger than the subsidy from the European Union to Ireland, which has averaged round 5.0 per cent to GDP."

Emotions over embittered race run high

WTO leadership meet cancelled

GENEVA, May 3: A fresh meeting scheduled for Monday to try to pick the next director general of the World Trade Organisation has been cancelled, the WTO said, as emotions over the embittered race ran high, reports AFP.

The meeting, scheduled for 10:00 am (0800 GMT) at WTO headquarters, was to be a continuation of Saturday's tense session, which was itself a prolongation from Friday.

According to the New Zealand mission in Geneva, the meeting has been rescheduled for Tuesday. There was no confirmation of that from the WTO.

Attempts to find a leader to head the WTO have degenerated into a tug of war between supporters of former New Zealand premier Mike Moore and Thai deputy premier Supachai Panitchpakdi.

Ali Mchumo, the Tanzanian ambassador in-charge of the process, proposed that Moore should become the new chief because of wider support. He noted that 62 countries backed the New Zealander against 59 for Supachai.

However, the Supachai camp flatly rejects that plan, arguing the gap is too narrow to call it a victory, and demanding a vote to decide the issue.

Moore's backers, including the United States, insist that a vote would set a "dangerous" precedent and are calling for Supachai to withdraw from the race.

"It should be clear that if Mr Moore was vetoed, there would be no way in which Dr Supachai could become the new director general," a statement from a group supporting Moore said Sunday.

The WTO risks paralysis if the selection process, which has already dragged on for seven months, is not swiftly resolved.

The WTO has been without a leader since Friday, when Renato Ruggiero ended his four-year mandate.

Both Moore and Supachai are still in Geneva, but were due to fly out in the next few days.

Thai Senate leader for reviewing ties with US

Reuters says from Bangkok: The leader of Thailand's appointed upper house, the Senate, on Monday called on the government to review relations with the United States given its opposition to Thailand's candidate to run the World Trade Organisation (WTO).

Senate Speaker Meechai Ruchupan said it was time for Thailand to review foreign policies, particularly its ties with the United States, to determine which countries were true friends or enemies.

"The lesson of the WTO selection is that it's time we reviewed our foreign policies with all countries, especially the US which say that they are our true friends," he told reporters.

A group of 10 nations, including the United States, on Sunday called for Thai candidate Supachai Panitchpakdi to bow out of the WTO leadership race. A stalemate in the contest has brought the world trade body to the brink of paralysis.

Supachai, Thai Deputy Premier and Commerce Minister, and New Zealand's former Prime Minister Mike Moore are competing to run the WTO, which policies global trade and forms one of the pillar's of the system of international economic cooperation.

Meechai said Thailand should not only stop following Washington's lead on foreign policy but also stop toeing the line on austere economic reform measures prescribed by the IMF.

New IBM mainframe capable of 1.6b instructions per second

NEW YORK, May 3: Hoping to lead the way to smoother online commerce, IBM is set to debut a new mainframe computer capable of processing 1.6 billion instructions per second, more than 50 per cent more powerful than any machine on the market, reports AP.

The high-capacity business machines were to be introduced on Monday, less than nine months after the company released the first mainframe to break the 1 billion mark for instructions per second.

The G6 is the first IBM mainframe to use the copper-semiconductor technology that the company introduced nearly two years ago.

In addition to increasing speed and capacity, copper chips cost less and use less electricity than those made with aluminum.

The metals are used to carry signals between millions of transistors packed into each thumbnail-sized piece of silicon.

The product launch comes at least a month ahead of schedule and the jump in performance capacity is much larger than expected.

"They were not expected to hit these levels until the middle of next year. It's really quite a surprise," said John Jones, an industry analyst with Salomon Smith Barney.

That type of power, he said, could help online retailers, Web brokerages and other frequently overwhelmed e-businesses better "handle the transaction volume growth that's being created by the explosion of demand coming from the Internet."

The G6, so named because it's the sixth generation of IBM mainframes based on an industry format known as S/390, is clearly designed with an eye toward the furious, system-clogging pace of growth in the everyday use and uses of the Internet.

But IBM remains most determined to dominate the market for electronic commerce between companies, an even faster growing part of the market.

"While the explosive growth of holiday shopping over the Internet last year created many headlines, business-to-business e-commerce far outpaces consumer spending," IBM said in a separate statement announcing plans for a new center to help companies develop systems for processing electronic transactions.

The announcement noted forecasts from Forrester Research Inc that business-to-business transactions could grow to $1.3 trillion worth over the next four years, up from $43 billion in 1998.