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## Foreign banks in Japan to face regular inspection

TOKYO, May 28: Foreign banks in Japan will be targeted for regular official inspections for the first time, the country's financial watchdog said today, reports AFP.

Foreign banks here, so far rarely scrutinised under Japanese banking regulations, will be visited every three years by the Financial Supervisory Agency, an agency official said.

"Although it has not been officially decided, the agency hopes to settle on the plan," an official told AFP.

"We would like to make sure foreign banks are following rules in their risk management," he said, adding that the number of the units and of their transactions with Japanese firms had shot up.

The agency surprised foreign banks in January by launching an investigation of the Swiss banking giant Credit Suisse's Tokyo operations.

The bank last week apologised after finding some of its staff tried to obstruct the inquiry by destroying documents.

Kyodo News agency has said the FSA is also inspecting the US bank Lehman Brothers Inc and Cresvale International Ltd, a unit of Princeton Economics International Ltd, a global investment and economic research company.

## Cathay Pacific pilots take a sick day

HONG KONG, May 28: Scores of Cathay Pacific Airways pilots took a sick day on Friday as the union stepped up pressure on the Hong Kong carrier to come back to the table for talks on a proposed pay cut, reports AP.

About 40 to 50 pilots, claiming they were too stressed out to fly because of the company's layoff threats, were absent from work, John Findlay, secretary-general of the main Cathay pilots' union, said at a news conference.

Quince Chong, a Cathay spokeswoman, said the company recorded "a slight rise" in the number of pilots calling in sick in the past few days, but refused to comment further.

Cathay's operations had not been affected, she said, but the pilots said several flights has to be cancelled in the morning.

Findlay denied that the union, the Hong Kong Aircrew Officers' Association, told pilots to stay home. He said the pilots were merely following the law, which allowed them not to fly if they were stressed to ensure flight safety.

## HK economy contracts further

HONG KONG, May 28: Hong Kong's economy contracted further though at a slower rate, in the first quarter of this year, indicating that it may have stabilised somewhat, the government said Friday, reports AP.

Hong Kong's gross domestic product shrank 3.5 per cent in the first three months of 1999, as most analysts had expected.

It wasn't nearly as bad as the 5.8 per cent contraction in the last three months of 1998, but many economists believe a full economic recovery will take time.

"I would hesitate to use the word "recovery" but the Hong Kong economy has already bottomed out," said Shamus Mok, economist at the Bank of East Asia.

In a report, government economist Tang Kwong-yiu said the economy shrank because "investment spending continued to be overshadowed by a generally cautious attitude of the banks towards corporate lending, uncertain business outlook and high interest cost in real terms.

### RMG, Tea sectors manage to fulfil targets

# Nine-month export earnings fall 9.89 pc short of target

By Rafiq Hasan

Country's export earnings fell short of target by 9.89 per cent or 417.63 million dollars during the first nine months of the current fiscal.

Only the Readymade Garments (RMG) and tea sectors managed to achieve their targets during the period, according to sources in the Export Promotion Bureau (EPB).

Export earnings of the tea sector has, however, witnessed a 10.97 per cent decline this year compared to the same period of the previous year.

EPB sources attributed the failure to reach the target to the decline in export earnings from major traditional items.

Among the major traditional items, frozen food fell 23.02 per cent short of target, leather 26.50 per cent and knitwear 16.71 per cent.

During July-March of the 1998-99 fiscal, the country earned USD 3804.87 million against the target of 4,222.50 million. This is 9.89 per cent short of the target. The total export target for the year was fixed at USD 5.63 billion.

Export earnings, however, posted a 1.07 per cent growth over that of last year's corresponding period. During the first nine months of previous fiscal year, export earnings were recorded at 3,764 million dollars.

Among the major traditional items, agricultural goods, petroleum by-products, frozen foods, engineering goods, raw jute and jute goods, chemical products, knitwear, leather, handicrafts and electronics goods could not hit export earnings targets.

Export earnings from agricultural goods, tea, leather and engineering goods, chemical products, frozen food, petroleum by-products and raw jute, fell compared to the performance in the previous year.

In comparison to the previous year's position, earnings from the export of readymade garments, knitwear, jute goods, handicrafts and electronic goods showed a rising trend.

Of the total volume of export earnings, 55.87 per cent came from the readymade garments sector. During the period, the country earned USD 2125.63 million against the target of 2,067 million dollars. The earning is 2.84 per cent higher than the target.

The country earned 36.36 million dollars by exporting 21.34 million kilogram of tea. The amount is 15.43 per cent higher than the target of 31.50 million dollars but 10.97 per cent less than that of the previous year. Export earnings from the sector during '97-98 fiscal was recorded at 40.84 million dollars.

On the other hand earnings from the frozen food sector fell short of target by 23.02 per cent during the period as the price of shrimp, the sector's dominating item, declined heavily during the peak season in international market.

Against the target of 262.50 million dollars the sector earned 202.07 million. Of this 173.91 million dollars was earned by exporting 31.63 million pounds of frozen shrimp.

During the same period in the last fiscal, the country had earned 201.24 million dollars from the sector.

Export earnings from the raw jute sector declined by 44.38 per cent this year compared to that of last year.

During the first nine months of the current fiscal, the earnings stood at only 47.77 million dollars against last year's 85.89 million dollars. The export earnings target from the sector was fixed at 99 million dollars for the period.

Raw jute export also declined by 11.96 per cent as the country exported 1214 thousand bales against the previous year's volume of 1378.87 thousand bale.

Against the target of 883.50 million dollars, the country earned 735.84 million dollars from knitwear sector during the period. The amount is 16.71 per cent less than the target.

Earnings from the sector had been recorded at 647.05 million dollars during the same period.

The leather sectors export earnings also fell short of target by 26.50 per cent against the target of 168.75 million dollars. During the period the country exported 139.36 million square feet of crust leather which fetched 114.03 million dollars.

During the same period of the last fiscal, earnings were 138.43 million dollars, which came from the export of 93.53 million square feet.

Around 35.44 per cent of the country's total export items went to the US as it imported, 1,348.26 million dollars worth of goods during the period.

Germany, UK, Italy, France, Belgium, the Netherlands, Iran, Japan and Singapore were the other major countries which imported goods from Bangladesh.

# 53pc of ADP executed till March this fiscal

By Monjur Mahmud

The implementation performance of the Annual Development Programme (ADP) in the first nine months of the current fiscal is slightly higher than the corresponding period of the previous year, according to Planning Commission sources.

Some 53 per cent ADP has been implemented till March this fiscal year, which is one per cent higher than that of the corresponding period of last year.

A total of Tk 7,218 crore was spent to implement 53 per cent of the ADP during the current fiscal. Of the total amount spent till March, Tk 4,358 crore was provided from local resources and Tk 2,860 crore from foreign aid. Some 56 per cent of the local resources went into full utilisation while foreign aid usage accounted for 49 per cent.

Of the total ADP amount of Tk 13,600 crore allocated for 1,216 projects in the year, Tk 7,798 crore was in the local currency and Tk 5,802 crore came in the form of foreign money.

The ADP performance came under review at a meeting of the National Economic Council (NEC) held on Wednesday last.

Sources said that implementation performance of 17 ministries was more than 53 per cent. But the performance of 18 other ministries remained below 40 per cent while that of eight more ministries stood below 30 per cent.

A high-priority environment development project of Dhaka City Corporation was being implemented under the Local Government Division with a Tk 8 crore allocation for it.

A total of Tk 4.5 crore was disbursed till March for the project, but an amount of Tk 13.39 crore was spent for it. The additional money came from the previous year's disbursement.

However, sources said that the authorities concerned did not return some Tk 7 crore disbursed for the previous fiscal and spent the same in the current fiscal, which is a violation of financial discipline.

## Weekly Currency Roundup

**Local Market**

The week started on a quiet note on May 23. The demand for the US dollar was steady and traded between Tk 48.65 and Tk 48.66 in the interbank market on Sunday and Monday.

From Tuesday, demand for the dollar increased due to hectic trading in the forward market. There was heavy demand for the dollar forward contracts from importers to hedge their exchange exposures on apprehension of a further depreciation of Taka.

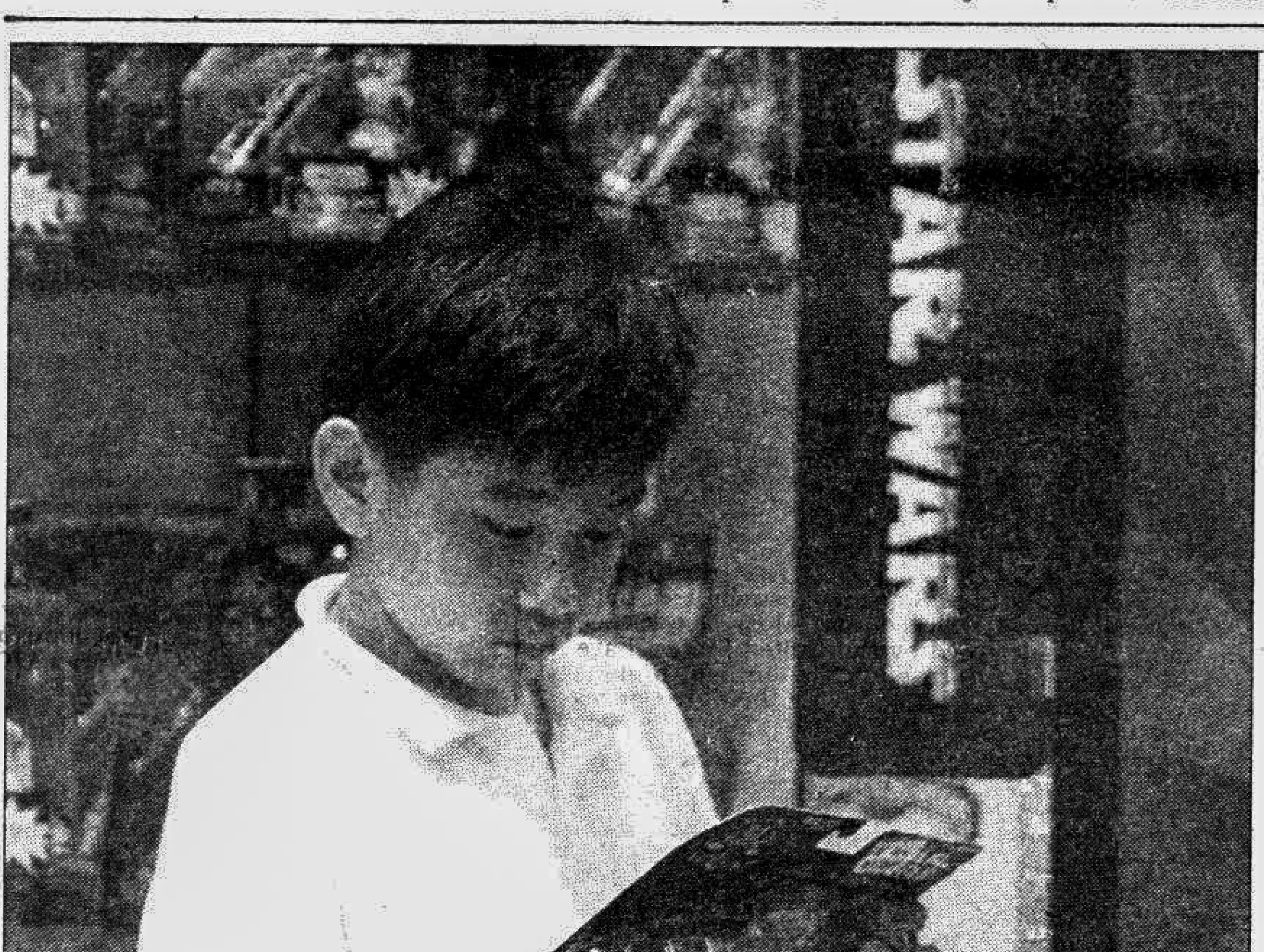
The depreciation of Pakistan rupee after it was declared free floating in the previous week prompted fear of downward adjustment of Taka.

Border tensions between India and Pakistan kept a downward pressure on Indian and Pakistani rupees, which also heightened expectations of Taka depreciation.

On Sunday (May 23), Bangladesh Bank accepted Treasury Bills worth of BDT 545 crore. The call money rate ranged between 6.25 per cent and 8 per cent.

**International Market**

Euro was under tremendous pressure against the US dollar on concerns for the European Economies and lack of policy for a strong Euro. However, dollar was down against the yen due to fall in Dow Jones Index. — *Standard Chartered Bank*



A boy reads packaging details while shopping for Star Wars figurines at a department store in Kuala Lumpur Friday. As Malaysia awaits the screening of the new Star Wars movie, diehard fans are gearing up for a piece of the action. Star Wars figurines have been selling like hot cakes with the "Darth Maul" character being the most sought-after. — AFP photo

## Colombo cuts lead-free petrol price

COLOMBO, May 28: The Sri Lankan government said Friday it was reducing the price of lead-free petrol by two rupees (US cents 3) a litre to encourage use of the environment friendly fuel, says AP.

A litre of unleaded petrol will now cost 48 rupees (US cents 68) at all gas stations across the island nation.

The price of unleaded petrol was at per with ordinary petrol at 50 rupees (US cents 71) which will remain the same.

Sri Lanka, a country of 18.5 million people off India's southern coast, imports all its petroleum needs from the Middle East.

## FedEx, AvantGo form alliance

Federal Express Corp. (FedEx) recently signed an agreement with AvantGo, Inc. to provide FedEx package-status tracking information to users of hand-held, palm-computing devices such as PalmPilots and Microsoft Windows CE-based Handheld PCs. Later, FedEx shipping rates and drop-off location information will be added, says a press release.

Through the alliance, FedEx customers will be able to download free AvantGo software directly from the FedEx.com tracking page onto their hand-held device.

To access package-status information, customers would then simply select the FedEx channel within the AvantGo icon on their device and submit their request.

Depending upon the device, customers can obtain the information wirelessly and in real-time or when next connected to the desktop cradle for synchronization.

The package-status information can then be accessed by returning to the FedEx channel and stored for later reference.

Laurie Tucker, Senior Vice President, Electronic Commerce and Customer Services, said: "This service demonstrates our commitment to offering important, yet easily accessible, shipping information in the most convenient form possible for our customers."

### Tk 100cr project undertaken in Rajbari

# Feni Palli Biddyut Samity to set up 10MW plant

FENI, May 28: In the wake of the countrywide power shortage, Feni Palli Biddyut Samity has undertaken a project to construct a 10-megawatt has turbine power plant here, says UNB.

Officials said the station, which will cost Tk 30 crore, is one of 14 such power stations to be set up by the Rural Electrification Board across the country to mitigate electricity scarcity.

The site selection work, for the power station at Feni bypass beside the transmission line of Bakhrabad Gas Systems Ltd on the Dhaka-Chittagong highway, is progressing fast.

Sources said all the officials formalities for setting up of the power plant has been completed while construction work will begin in July. The plant would be ready for power generation within nine months.

After completion of the plant, some 85,000 subscribers of the Feni Palli Biddyut Samity and 11,000 of the Power Development Board will get uninterrupted electricity supply.

Feni Palli Biddyut Samity, having no power plant of its own at present, supplies power to five thanas of the district and Mirsarai and Sitakunda of neighbouring Chittagong district by purchasing electricity from PDB.

Feni Palli Biddyut Samity Chairman Abdul Motaleb told UNB that the samity requires 16 MW electricity in peak hour, but PDB provides only 7 to 8 MW.

The peak-hour demand of the district may exceed 20 MW if present trend of giving new connections continues, he said.

Sub Divisional Engineer of PDB Abul Kasem told the agency that the total electricity demand of the district is 28 MW per day.

Only 10 to 12 MW is available from the national grid, he said, adding that of quantity 9 MW power is needed alone for Feni pourasava area and two MW for BSCIC industrial belts.

Presently the power supply in the district from national gird is just half of the demand resulting in two to three hours load-shedding in PDB area and five to six hours in Palli Biddyut area.

Besides, low voltage cause closure of many mills and factories, disrupting production and sufferings to the common people.

Another UNB report from Rajbari says, in a bid to give the rural electrification programme a boost, Rajbari Palli Biddyut Samity has undertaken a Tk 100 crore project.

# World oil prices lose ground

LONDON, May 28: World oil prices lost ground yesterday in a day marked by continued industry consolidation, with markets struggling to regain the confidence sparked in March by oil producer's move to trim output, reports Reuters.

International benchmark Brent bled for July delivery last traded eleven cents lower at $15.36 a barrel, around $1.70 weaker than early May levels, but nearly six dollars higher than the historic lows of December.

Oil markets have languished in a downtrend over the past three weeks in what analysts say is a cooling period following the sizzling rally which rescued oil from its depths of late last year.

The fall-out of the prolonged price weakness, a rapid wave of mergers and acquisitions, regained the spotlight on Thursday when stockholders of oil giants Exxon Corp Xon. N and Mobil Corp Mob. N overwhelmingly approved combining the two companies.

The deal, which creates the world's biggest investor-owned oil company, calls for Exxon to acquire Mobil in a deal valued at $87 billion, the largest corporate takeover in history.

Savings from the merger will be achieved in part by eliminating 9,000 jobs from a premerger total of 122,700 at the end of 1997.

One corporate casualty of the price slump to emerge on Thursday was Saga Petroleum ASA Sag. OL, Norway's third largest oil and gas company.

Norwegian industrial group Norsk Hydro ASA NHY. OL agreed a pact with state oil firm Statoil on Thursday to carve up Saga under a takeover bid spearheaded by Hydro.

Under a proposal to Saga shareholders, Hydro would get around 75 per cent of Saga, continental Europe's only pure oil and gas production and exploration firm, and Statoil would get 25 per cent.

Oil market fundamentals received at least notional support from Russia, where efforts continue to reduce exports in order to husband supplies for the summer harvest.

Anxiety about the size of a global supply surplus resurfaced this month as booming exports from the former Soviet Union helped undermine a price rally.

Data from the State Statistics Committee showed deliveries of fuel to the Russian agricultural sector picked up sharply in the period of May 11-20 after falling well short of requirements in the first 10 days.

Fuel demand in the Russian farming sector peaks in late April and early May with the spring sowing campaign at full stretch, which is why planned volumes for the first 10 days of May are much higher than in the rest of the month.

# Gas contract and tasks before Bangladesh

By Nuruddin Mahmud Kamal

No major gas discovery has taken place in the recent years, except non significant offshore Sangu Structure by Cairn, although production-sharing contracts (PSCs) have been signed with four foreign companies about four years back. Two major exploration accidents have occurred (Magurchhara and Sylhet) at Messrs Occidental's contract areas, perhaps because of their lack of proper attention and inadequate control over the critical drilling phases. Such accidents did not happen in the last three decades when Petrobangla and BAPEX undertook exploration drilling in the on-shore geological structures. On the other hand, Messrs Cairn's (Sangu) offshore exploration results (reserve estimate) have not been announced officially, yet production of gas have begun. Cairn's on-land exploration result is negative. The other company activities have remained highly confidential.

None of the discovered gas fields have been fully appraised and assessed in terms of proven reserves by independent internationally reputed companies since 1980s. Cairn's discovery and other future discoveries should be thoroughly assessed, proven and certified by internationally reputed companies. Further, recoverable reserves of gas must be established prior to entering into long term production under PSC. Any short-sighted action even under extreme pressure might jeopardise long term benefits of the critical drilling contracts. One must not lose sight of the fact that there are many vested interests that define reserves to meet their own narrow objectives. This should be prevented. It serves that may be exaggerated and utilizing only that portion of the resources that may be produced in actual practice could reduce the ultimately recoverable gas remaining in the nature. As a measure of safeguarding the national interest, all future contracts must include a separate provision for independent reserve estimation and certification.

Present production of gas under Petrobangla exceeds 860 million cubic feet (MMCF) a day (including reported production of 60 MMCF/day from the Cairn offshore field), with about 46 per cent of the total production for generation of electricity and 35 per cent for fertiliser production. According to the Power System Master Plan (PSMP), the total cumulative natural gas consumption for generation of power alone over the 20 year period would be (assuming 0.225 TCF per year) around 4.5 TCF, close to 42 per cent share of the present proven/recoverable reserve of gas.

Natural gas has tremendous economic potential; it is used as an environment friendly input for production of fertiliser, fuel for industrial, commercial and domestic purposes. The country's gas is free of sulphur, contains very minimum carbon-di oxide and nitrogen. It's average calorific value is over 900 BTU/cft. Gas is being produced by two companies of Petrobangla, namely, Sylhet Gas Fields Ltd. (SGFL) and Bangladesh Gas Fields Co. Ltd (BGFCL). They are transmitted and distributed through Titas Gas Transmission and Distribution Company Ltd. (TGTDCL), Bakhrabad Gas Systems Ltd. (BGSL) and Jalalabad Gas Transmission and Distribution System Ltd. (JGTDSL). These three companies supply gas to power and fertiliser plants, different industries and other commercial and domestic consumers.

**Gas Reserves and Electricity Generation**

Unquestionably, energy is the backbone infrastructure in any economy and the availability of power is a direct indicator of any economy's development. Despite the country's planners attaching utmost importance to energy sector and there being manifold increase in installed capacity, energy and peak power shortages have continued to aggravate. Besides the power shortages, even the quality of power supply in respect to reliability, stability and security was not ensured. Keeping in view the power shortages and quality of power, BPDB has prepared a 20-year Master Plan projecting the demand to grow from the existing 2300 MW (1998) to 3150 MW in 2000, 4590 MW in 2005 and 9900 in 2015. The very basis of electric power is the availability of various ingredients and raw materials for generation. In Bangladesh, indigenous sources are limited to natural gas, water and coal. Coal based power is yet to get started, and hydro potential is low. Almost over 80 per cent power in the country is produced through use of natural gas. As such allocation of gas is very critical for future development of power.

Having consumed about 3.27 trillion cubic feet (TCF) during the last three decades, the remaining recoverable gas could be around 10.47 TCF. The belief that the country's gas reserve is very high, perhaps much above the official quoted figure, do not appear to have adequate scientific basis. Nevertheless, there is a tremendous attention from foreign investors, for exploration and exploitation of hydrocarbon under Production-Sharing Contract (PSC). This must be cautiously pursued to obtain optimum benefits for the country.

Current estimates on proven reserves suggest that Bangladesh can meet its electricity needs through use of natural gas for the next two decades. However, unless appropriate and adequate investigation and production effort is conducted, fossil fuels will find difficulty in meeting most of Bangladesh's commercial energy needs for the future, let alone leave enough surplus gas for export. Nonetheless, at this stage of hydrocarbon exploration, the concept of exporting gas is like putting the cart before the horse. Therefore, simultaneously it is also necessary to explore other viable sources i.e. the possibilities of exploiting renewable energy resources, to supplement and compliment both primary and secondary energy use.

Present production of gas exceeds 860 million cubic feet per day, of which consumption for production of electricity and fertiliser is about 83 per cent including 46 per cent for power generation alone. But the current supply is inadequate for both the major consuming sectors. According to a recent study by Petrobangla, the total cumulative gas demand for generation of electricity for the next 20 years could be around 4.5 TCF or about 42% share of the present proven reserve of gas. With a very large demand as yet unmet, the per capita consumption of electricity has grown to only 106 kwh in 1998 as against 70 kwh in 1990. The distribution networks serve only about 16 per cent of its total population.

The investment need for the power sector as per Power System Master Plan (PSMP, 1995) has been estimated at about 6.6 billion US dollar, which includes 2.2 billion US dollar for transmission and distribution component. In the short term the situation is expected to change for the better, with a possible addition in generation between the public and the private sector by about 1990 MW within FY 2002.

The country now imports an amount of about 2.4 million tons of crude oil and petroleum products annually. The cost of such import has tremendous impact on the balance of payment or foreign exchange and economy of the country. All power plants in the western zone are oil based. Moreover, during FY 1996 and FY 1997 general shortages and frequent interruptions in supply of gas led to severe shortages in generation of electricity.

Financing is a formidable issue that has consistently plagued the power infrastructure development. Public investments and state ownership have been the traditional means to exercise control over the electricity sector since 1972, essentially to protect consumers interest. The gradual expansion was effected upon to realise reasonably ambitious social goals, particularly relating to rural electrification and low cost electricity supply to common people.

To be continued

*(The author is a former Additional Secretary and Chairman of Power Development Board)*