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# BUSINESS
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## Ban on gypsum import turns cement producers' bane

By Mustak Hossain

Cement manufacturers in the country are facing serious setbacks due to a recent government ban on import of gypsum, a key ingredient used in cement production.

"By this decision, the government has compelled the cement producers to buy Bangladeshi gypsum at higher prices," a member of the Bangladesh Cement Manufacturers Association (BCMA) told The Daily Star.

"If we buy from outside the country, the cost of gypsum including freight charges comes to around US$ 8 per tonne. But now we have to pay $ 25 per tonne for local procurement of the same."

Currently, there are 13 cement factories in the country, including one in the public sector, which are producing 1.6 million tons of cement against the annual capacity 2.6 million tons. The demand for cement in the country is now between 3.5 and 4 million tons, and Bangladesh produces only 30 per cent of its total need.

The BCMA member said that the quality of imported natural gypsum was better than that of Bangladeshi products. "Even then, we are ready to buy local brand gypsum produced by the government-run Chittagong Triple Super Phosphate (TSP) factory, if the price is fair," said the cement manufacturer.

Before the imposition of the ban on July 12, cement producers used to import gypsum mainly from neighbouring India.

Chittagong Triple Super Phosphate (TSP) fertiliser complex produces gypsum as a by-product and previously the factory used to dispose it at its own cost.

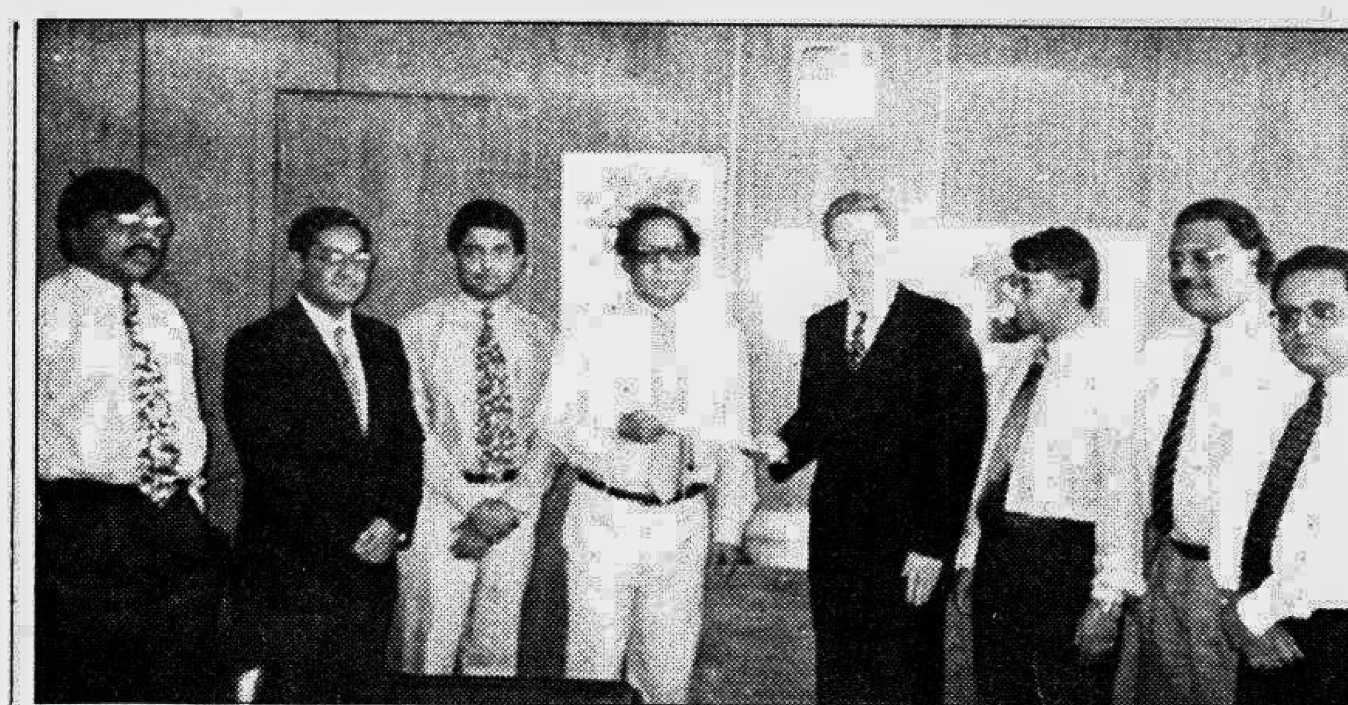
Meanwhile, the BCMA has urged the government to reduce gypsum prices in line with international rates and make a central stock of the product at a convenient place for ensuring easy access of manufacturers.

"We have proposed the measurers as cement factories are situated at different locations in the country which makes carrying costs differ a lot," a BCMA official said.

The decision to ban gypsum import was taken because of its sufficient production in the country, a government announcement said.

"We have submitted a memorandum containing our demands to the Commerce Ministry but we are yet to get any response," said the official.

Cement plants use about 2 to 5 per cent gypsum in their products.



Das Deba Prashad, MD (CC) of Delta Life (left), exchanges the papers of the signed agreement with David E Rees, CEO of Citibank, NA. Also seen are (from L to R) Kalyan Kr Chakraborty, SVP (HO A/C) of Delta Life, Devamalya Dey, VP, Citibank, Pinaki Mondal, Cash Product Manager, Citibank, Mosleh Uddin Ahmed, DMD (F&A), Swapan Kumar Sarker, JEVP (IA) and M Abdullah Saadi, VP (Investment) of Delta Life.

—Delta Life photo

## Foreign investors fleeing KL bourse

KUALA LUMPUR, Aug 6: Foreign investors are beginning to flee the Malaysian stock market ahead of the one-year anniversary of capital controls, hitting an already battered bourse, reports AP.

The selling, combined with nervousness about a spate of arrests of prominent corporate figures and big bank mergers, has spooked local investors, according to analysts.

On Friday, the Kuala Lumpur Stock Exchange index continued to slide, falling nearly 2 per cent from Thursday's close, but recovering slightly later. The index, which measures 100 blue-chip stocks, has shed about 20 per cent since July 9.

Last September, the government pegged the ringgit at 3.80 to the US dollar and locked in foreign portfolio investments for one year. On Feb. 15, it loosened curbs on repatriating market investments with a sliding scale of exit levies.

Beginning Sept. 1, foreigners can take out money they brought into Malaysia before Feb. 15 without paying any penalties.

"There has been some foreign selling, and it is related to the expiry of the exit tax," Christopher Gee, managing director of ING Barings in Malaysia, told Dow Jones Newswires.

Analysts say some foreign investors are converting stock market investments into cash, which can be repatriated in September.

Selling by foreign investors picked up soon after Templeton Emerging Markets Funds Inc. last month announced plans to withdraw $300 million in assets from Malaysia even before the 12-month lock-in period expired.

## Japan's economic path positive, says Clinton

WASHINGTON, Aug 6: President Bill Clinton said yesterday Japan is on a "positive" economic path, praising Prime Minister Keizo Obuchi for his reforms, says AFP.

"They're our partners and they're our friends and our allies, and their recovery is critical to Asia's recovery," the US president said.

"I basically believe that the trends are positive there and so I have a positive view."

Clinton made no comment about the recent yen-dollar exchange rate that has been the subject of consultations between Tokyo and Washington, but changed the overall handling of Japan's economy.

"We do see some signs that Japan's economy is beginning to grow and that Prime Minister Obuchi has formed a coherent and strong and effective government, and has secured the necessary support from the Japanese people to continue to move forward."

Late Monday, US Treasury Secretary Lawrence Summers and Japanese Finance Minister Kiichi Miyazawa discussed recent developments on foreign exchange markets during a telephone call, but officials declined to discuss whether the two countries were considering coordinated intervention in the exchange markets.

## S African GDP growth flat this year

CAPE TOWN, Aug 6: South Africa's economy remains on track to see real growth in gross domestic product of just 0.7 per cent this year rising to 3.3 per cent next, the Bureau for Economic Research said in its latest quarterly survey, says Reuters.

The independent think-tank said monetary policy would remain relaxed for the foreseeable future and that interest rates would have to continue declining well into next year to stimulate sluggish demand.

"Prime overdraft rates are projected to bottom at 14 per cent towards the middle of 2000," the BER said.

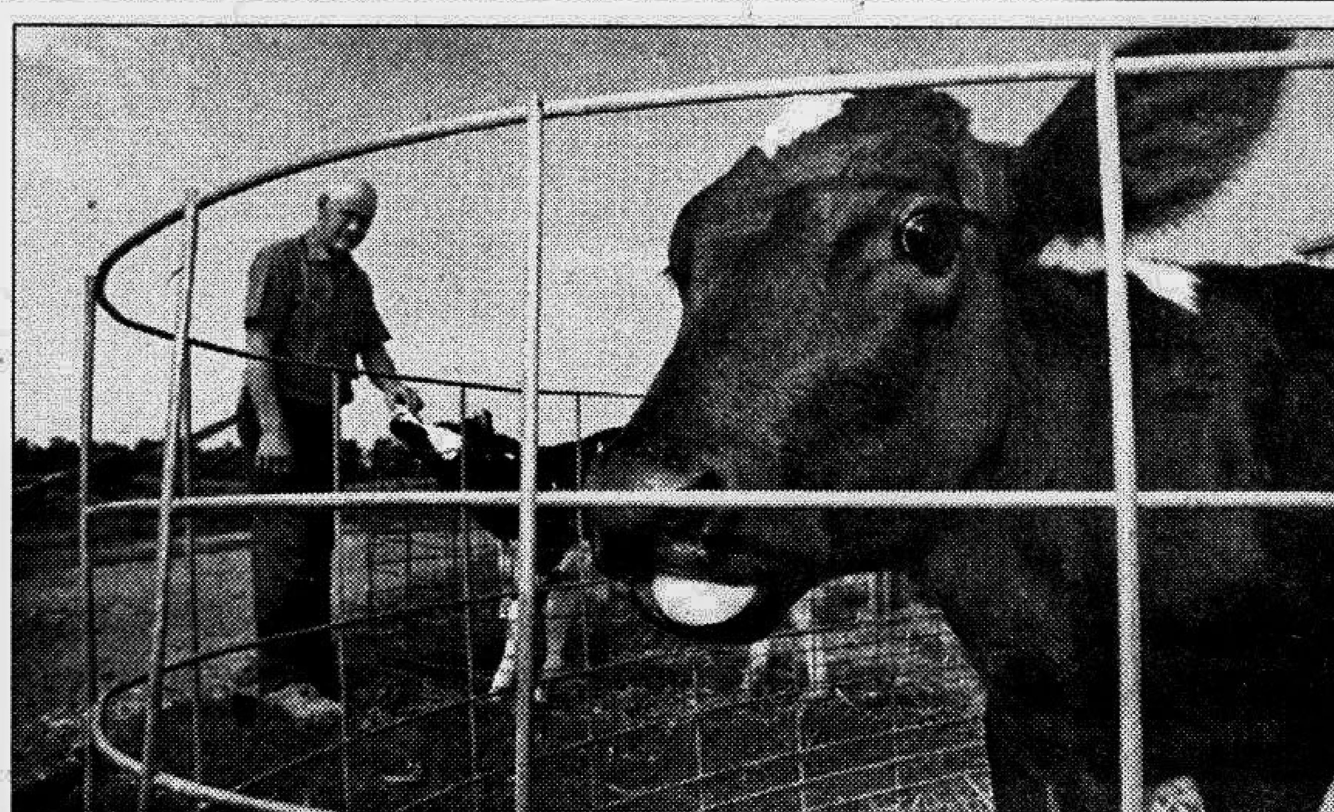
However, it warned that core inflation would remain stubbornly high and would not decline below seven per cent this year.

The slump in the price of gold and steep rise in the price of oil coupled with rising import demand would turn the current account balance of payments surplus into a deficit of 2.9 billion rand ($470 million) this year and 12.9 billion rand in 2000.

Exports, though, were also expected to rise towards the end of this year and into next, becoming an important source of growth in the economic recovery, BER said.

It said capital inflows in the second half of 1999 were expected to be strong which should bolster the rand, although they carried with them increased possibility of financial volatility into next year.

The peaceful general election in June would help stabilise the domestic political climate which in turn would help consolidate foreign faith in the continuity of sound economic policies, but unemployment remained a major problem, BER said.



Dairy farmer Harold Lenhart with some of his calves Thursday in Thurmont, MD. The 300 cows on Lenharts' farm are down 14 lbs. of milk production per cow per day and a new water well had to be drilled last week also. Maryland Governor Parris Glendening Wednesday imposed broad water restrictions due to the continuing drought, the worst Mr. Lenhart has seen in the 44 years farming his land.

— AFP photo

## Delta Life signs Paylink deal with Citibank

Star Business Report

Delta Life Insurance Company Ltd has signed an agreement for the Paylink system with Citibank NA.

The accord was signed between the two organisations in the city recently, says a press release.

Das Deba Prasad, Managing Director (current charge) of Delta Life and David E Rees, Chief Executive Officer of Citibank NA exchanged documents after the signing ceremony.

Under the agreement, Delta Life will use the Citibank Paylink cheque and draft issuance system.

Paylink is an automated disbursement system of Citibank for facilitating domestic disbursement across the country.

It is expected the step will greatly enhance the servicing standard of the company.

## China not ready to resume WTO entry talks with US

BEIJING, Aug 6: China said today it was still not ready to resume vital talks with the United States on accession to the World Trade Organisation which Beijing froze after NATO bombed its embassy in Belgrade, reports Reuters.

"We don't know when China and the United States will resume negotiations," said a spokesman for the Ministry of Foreign Trade and Economic Cooperation (MOFTEC).

There has been speculation of a resumption ahead of a planned meeting between Chinese President Jiang Zemin and US President Bill Clinton in New Zealand during a summit of the Asia-Pacific Economic Cooperation forum.

A senior Foreign Ministry official, however, told a small group of reporters on Thursday night there had been no change in China's position and that the next move was up to Washington.

"I don't think the atmosphere is right for a resumption of negotiations," said the official who declined to be identified.

"The ball is on their side. It is important for them to do something concrete for the improvement of relations."

China is still fuming over the May 7 embassy bombing, in which three people were killed and 27 were wounded. Washington has agreed to pay $4.5 million in compensation for the victims and talks on payment for the destroyed embassy are due later this month.

Beijing has rejected as "unconvincing" US explanations that the bombing was an error stemming from bad intelligence. "We are still awaiting a credible explanation," the Foreign Ministry official said.

China is also upset over a US sale of arms worth $550 million to Taiwan, which incurred Chinese wrath last month when it appeared to move away from the "one China" policy which had kept the peace between them for decades.

Beijing says the Taipei move to what it calls a "two-state theory" is a step towards independence. It has renewed threats to invade Taiwan if the island, estranged since the end of a long civil war in 1949, declares independence.

Although the United States has reaffirmed its commitment to a "one China" policy and criticised the new Taiwan insistence that relations be conducted on the basis of equality, the arms sale was seen in Beijing as a slap in the face.

Beijing considers arms sales a breach of Sino-US agreements which led to a switch of recognition to Beijing from Taiwan in 1979.

The Foreign Ministry official indicated China did not feel under pressure to make a quick deal on WTO entry with the United States despite an approaching meeting in November when the body is due to embark on a new round of global trade talks.

### Major devaluation in competitor countries
## Sports footwear industry suffers hiccups

Losing price competitiveness in the global market following major currency devaluation by the competitor countries, the country's potential sports footwear industry has suffered hiccups in its infancy, reports UNB.

Industry sources said that out of the eight factories, three had already suspended their operations, while the rest were running at meagre margins, insufficient to pay-back their bank credits.

Meinher, Desma and Continental sports footwear industries in the Chittagong Export Processing Zone have remained inoperative temporarily while Excelsior, Impact, Youngones, UFM and Papella are struggling for survival.

Sources said the labour-intensive industry, which supplies orders of the buyers of European and US markets, was being relocated from the higher-wage region to lower ones worldwide.

It first moved out from Japan, Italy and Germany to Korea and Taiwan and then Indonesia, Thailand, Vietnam and China in the second phase to avail lower labour-cost facilities.

Bangladesh has been competing with China, the world's largest sports shoe exporter China, which exports at dumping prices.

But, the growing sector started facing setbacks when its competitors in Indonesia offered 50 per cent lower cutting and making charges to the buyers following massive currency devaluation of 450 per cent.

The deep depreciation facilitated the rivals to spend almost only a third of their previous wage costs.

A few industrialist found it viable to establish sport shoe industry in the year 1988-89 to compete with Taiwan and Korea considering the country's manpower resources and cheaper wage rates.

In early 1990, Taiwan and Korea started doing businesses with China and transferred their production bases not only to China but also other low-wage Asian countries like Indonesia, the Philippines and Thailand.

"As a result," sources said, "the buyers are shifting their orders to the competing countries."

Moreover, they observed, the country's sports footwear industries are facing stock-lot and loss of export markets, ultimately leading to low incomes and increase in liabilities.

Even then, Bangladesh exported sports footwear worth US$ 39 million in 1998-99 and fixed a bigger target of US$60 million for the current fiscal year.

Sources said that the sector had an immense potential to increase exports to no less than US$500 million per annum within the next 7-8 years as the use of sports and other casual shoes in the world is 5-6 times higher than dress shoes.

"Although the sector is passing through a transition period and facing stiff competition, Bangladesh still has the potential as situations in the competitor countries are changing," said Ruhul Ameen, vice-president of Bangladesh Export-Oriented Footwear Manufacturers and Exporters Association.

But it needs government support to survive the transition period, he said, and urged the government to include the sector in the 10 per cent incentive scheme.

Some 10,000 people, including 50,000 dependants, would be jobless and an investments worth Tk 450 crore would turn into dud assets if the government does not take measures, he warned.

## Deutsche Telekom to buy British One2One

BONN, Aug 6: Confirming days of rumors, Deutsche Telekom announced Friday it would buy the British mobile phone business One2One for 20 billion marks ($10.9 billion/10.1 billion euro), reports AP.

Telekom boss Ron Sommer, who has sought to turn the former German telephone monopoly into a global player in telecommunications, said the purchase of 100 per cent of One2One would strengthen Telekom's position in one of the most important European markets.

"We are acquiring an attractive and well-managed mobile telephone operator with a strong brand name and considerable growth potential," he said.

The transaction must be approved by Telekom's supervisory board and European Union antitrust regulators.

One2One, the smallest of Britain's four mobile phone businesses, is owned jointly by Cable-and-Wireless PLC of London and Mediaone Group, based in Englewood, Colorado. It has 16 per cent of the British market and is growing fast, especially among business customers, according to Telekom.

Telekom has been searching for a foreign partner for some time. Its attempt to merge with Telecom Italia earlier this year failed, and recent media reports had said it was interested in Spain's Telefonica.

## GM to make small cars at Suzuki plant for Asia

TOKYO, Aug 6: US auto giant General Motors Corp. is considering making small cars for the Asian market at a Japanese plant of its ally Suzuki Motor Corp., a business daily said today, reports AFP.

The world's largest car marker plans to jointly develop the car with Suzuki and begin production in 2000 at Suzuki's plant in central Japan, Nihon Keizai Shimbun reported.

Neither GM nor Suzuki would confirm the report.

"All we can say is every option for cooperation with Suzuki is being considered, but we have never announced any plan about developing cars solely for the Asian market," a GM spokesman said.

A Suzuki spokesman said options discussed with GM included "development of a strategic car in Asia," but "no decision on any joint work has come out of it."

Suzuki's share price rose on the news, ending the morning session up seven yen, or 0.4 per cent, at 1,985 yen on the Tokyo stock exchange. It was bought up to 2,025 yen at one point.

GM said Thursday it was considering vehicle production in Japan possibly with a partner.

"We are exploring various options including manufacturing vehicles in Japan," GM said in a statement. "Our goal is to grow our presence and market share in Japan."



Two Japanese women share an umbrella in front of an electric share prices board quoting "273 points down" in downtown Tokyo on Friday. Japan's share prices dropped 273.95 points to close at 17,084.24 points on the Tokyo Stock Exchange.

— AFP photo

## IMF denies fund misappropriation reports

WASHINGTON, Aug 6: The IMF yesterday attacked a report in the French newspaper Le Monde alleging that money it loaned to Russia was finding its way into the hands of mafia gangs, reports AFP.

"We take strong exception to the Le Monde editorial and we considerate it irresponsible," IMF spokesman William Murray wrote in a letter to the paper.

"The editorial concludes wrongly that the funds from the international community to Russia were being diverted through FIMACO to enrich oligarchs and that was done with full knowledge of world leaders, including our managing director (Michel Camdessus)," it continued.

Le Monde claimed that an audit by the international company PriceWaterhouse Coopers showed that "one of this planet's world powers and an influential member of the UN Security Council is diverting money like a common thief through offshore companies used as tax havens."

Le Monde added that though world powers may not sanction such a practice, most were well aware of it.

## Gold slips as US backs down on IMF sales

NEW YORK, Aug 6: Gold ended New York lower, getting little support as US lawmakers all but nailed the coffin shut on the International Monetary Fund gold sales plan to fund debt relief for the world's poorest nations, dealers said, reports Reuters.

In comments late Wednesday, Representative Spencer Bachus and Representative Jim Leach, influential Chairman of the House Banking Committee, said the administration no longer saw the IMF plan as a viable option and the proposal would be removed as an obstacle to debt relief.

"It is a sentiment-driven market," said one bullion dealer. "I guess you could have said the IMF has improved sentiment slightly but unfortunately we're sitting at a point where producers are happy putting on hedges.

"US interest rates are attractive and the final contango they are being paid is not bad," he added.

Gold erased gains in Asia. The COMEX December contract fell 60 cents to $258.00 per ounce, trading in a $257.50 to $259.20 range. Spot bullion was last quoted at $255.40/90, compared to the late fix at $256.00 and the previous New York close at $255.90/6.40.

Rich nations have supported the plan to sell up to 10 million ounces of IMF gold to help reduce debt and provide new low interest loans to 41 impoverished nations.

## Yeltsin dubs Paris Club debt deal a major victory

MOSCOW, Aug 6: President Boris Yeltsin praised his finance minister Friday for convincing foreign creditors to reschedule a small piece of Soviet-era debt, calling the deal a victory for Russia's hobbled economy, reports AP.

Russia, struggling to deal with a massive foreign debt burden of about dollars 150 billion, convinced the Paris Club of creditors last week to reschedule some $8 billion in Soviet-era loans.

The deal came after the International Monetary Fund agreed to give Russia a $4.5 billion loan, the first substantial international credit the country has received since a financial crisis hit a year ago.

The two developments will provide some temporary relief, but come nowhere near the comprehensive debt restructuring deals that Russia seeks.

Calling the Paris Club deal a "big victory," Yeltsin said Finance Minister Mikhail Kasyanov must persuade another group of creditors, the London Club, to reschedule debts and then work out deals on all of Russia's foreign financial obligations.

"He was able to convince the Paris Club. Now it's up to the London Club, and then an overall debt restructuring," Yeltsin told Kasyanov, according to the Interfax news agency.

Achieving a complete debt restructuring is a formidable task. Foreign creditors, including the London and Paris Clubs, have never said they are prepared to write off or significantly restructure Russia's debt burden.

The Russian debt inherited from Soviet times amounts to about $100 billion, or two-thirds of the nation's total foreign debt. The cash-strapped government has managed to stay current on post-Soviet debt, but has been unable to make payments on older debts.

Meanwhile, a Reuter report says: A group of disgruntled US institutional investors holding Soviet-era Russian debt said they were not represented at Tuesday's London Club restructuring talks, but they expect to be at the next meeting in mid-September.

The US fund managers, who hold a growing share of the $32 billion in Soviet-era debt, will be allowed to consult in the talks held by the London Club of commercial bank creditors, though they have not been given a formal seat as full participants.

Peter Allen, spokesman for the association called Russia London Club Portfolio Managers Inc., said he would have gone to Tuesday's meeting in Frankfurt, but the London Club and the Russian Finance Ministry initially set a condition the group could not agree with. They demanded that only one representative from the association attend the session.

"We did not want to go with the restriction that I had to be there alone," Allen said.

### Fear of mounting inflation pressure
## US labour costs far outstrip productivity

WASHINGTON, Aug 6: US workers' pay rises far outstripped productivity gains during the second quarter of the year, the government said yesterday, raising some fears that inflation pressures may be building, says Reuters.

The Labour Department said productivity growth, a measure of the work force's efficiency, slowed in the second quarter to a rise of 1.3 per cent compared to a revised gain of 3.6 per cent in the first quarter. The first quarter rise was initially reported as a 3.5 per cent gain.

Unit labour costs rose 3.8 per cent in the second quarter compared to a revised rise of 0.8 per cent in the first quarter. First quarter unit labour costs were initially reported as a 0.7 per cent rise.

But on a year-on-year comparison, productivity gains were still ahead of rises in labour costs, leaving most economists sanguine about the implications for inflation. Productivity gains mean firms can better absorb higher wages.

"I think the trend remains one that shows above recent trends productivity gains," Anthony Karydakis, senior financial economist at Banc One Capital Markets in Chicago told Reuters Television.

But Gary Lenhart, bond strategist at Dain Rauschar in Minneapolis, said the report was bad news for the inflation-sensative bond market. US Treasury prices dipped slightly on the data's release while stock prices fell further.

The productivity gains were the smallest since last year's second quarter when productivity rose 0.4 per cent while the unit labour cost gains were the biggest since the fourth quarter of 1997 which showed a 4.1 per cent rise. The productivity gains fell well short of the 1.8 per cent rise forecast by Wall Street economists while unit labour costs rose more than forecasts of a 2.2 per cent rise.