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DHAKA, MONDAY, AUGUST 23, 1999

Southeast Asian recovery a bad news for Bangladesh

Economic recovery in Southeast Asia is hurting Bangladesh, which was not damaged directly by the 1997 financial crisis but now faces losing export markets to its reinvigorated neighbours, analysts said, reports AFP.

"Economic recovery in Southeast Asia is bad news for Bangladesh as the countries of that region are now emerging as competitors for Bangladesh's export market," said economist Debapriya Bhattacharya.

Bhattacharya said the country's largest export earner, the garment sector, had already started to lose ground to regional competitors, while other major export industries could face a similar fate.

Currency depreciations following the financial turmoil helped regional nations gain a competitive edge over Bangladesh in some export sectors.

"The economic recovery will now act as an added advantage to them," he said.

Bhattacharya, executive director of the private Centre for Policy Dialogue, said hopes Bangladesh could attract funds from investors keen to bypass crisis-wracked Asian nations could also be dashed by signs of an economic resurgence.

"The news of Southeast Asian economic recovery is no less alarming for Bangladesh than the turmoil," he said.

According to sources in the garment industry, several major buyers have already turned to Indonesia, Thailand and other low-cost countries which are undercutting Bangladesh exporters.

"We were offered 32 US dollars for each dozen of Teton Cotton shirts last year by the buyers... the offer has now come down to 27 dollars," said

Anisul Haq, vice president of the Bangladesh Garment Manufacturers' and Exporters' Association.

Haq said fabric prices had fallen over the past year but that was not enough to compensate for the fall in apparel prices.

"Economic recovery in Southeast Asia will really have serious impact on our exports," he warned, saying that several Southeast Asian countries were offering unusually low production prices.

According to official estimates, growth in garment exports will fall below 10 percent this year from about 22 percent on average in recent years.

Wahiduddin Mahmud, advisor for finance and planning with the 1996 caretaker government, said any recovery in Southeast Asia "poses a threat to Bangladesh's export prospects."

Mahmud said economic recovery would help the financially bruised region again attract investment and dash hopes that Bangladesh would benefit from its neighbours' problems.

Both Mahmud and Bhattacharya said however that an Asian recovery in the long term, when neighbouring economies were again strong enough to invest in this South Asian nation.

The regional financial turmoil had no direct impact on the economy of Bangladesh, which has devalued its currency by just over 10 percent during the past three years.

The rate of devaluation in Bangladesh was even lower than other South Asian countries, eroding its trading advantages over other exporting nations.

Car Haat—a novel trend in auto sales

Star Business Report

Young minds can materialise ideas into enterprises. Car Haat—an exclusive weekly market for second-hand cars represents such an attempt. It is a result of the urge of seven young friends to do something new by which they can earn money.

One day while going through a foreign business weekly, Mehdi, a final year student of the Independent University, found that car selling in an open market is among the 100 emerging businesses in the last five years. It inspired the idea of selling second-hand cars in open market during an *adda* at a friend's house in July. All friends—Muntasir, Ahsan, Zaman, Shakib, Mahmud and Shimu—endorsed the idea and began to work on it.

The result of the endorsement is like this: Every Friday cars of various models and makes are put on open display at the ground of Rajdhan High School, opposite the Sangsad Bhaban. This has become a weekly rendezvous for car sellers and buyers.

According to the organisers, about 360 persons visited the market and eight car owners came to sell their vehicles on the inauguration day two weeks back.

This market is open to both sellers and buyers. There are no bureaucratic formalities. The organisers charge a 2.5 per cent commission after the sale of a car from the buyers while Tk 200 from the sellers. An auto mobile engineer is also there to certify the condition of cars awaiting sale in the *Haat*.



Vehicles lined up at the Car Haat Friday wait for customers to make their choices. — Star photo

BB T-bill auction

The 50th auction of the 28-Day, 91-Day, 182-Day, 364-Day, 2-year and 5-year Treasury Bills were held here yesterday, reports UNB.

Of the bills, Tk 1253.50 crores, Tk 117.50 crores, Tk 91.50 crores, Tk 52.00 crores and Tk 77.00 crores were offered respectively for the 28-Day, 91-Day, 182-Day, 364-Day and 2-year Bills.

Range of the implicit yields were 7.00-7.58 per cent, 8.00-8.29 per cent, 8.35-8.50 per cent, 8.50-9.50 per cent and 8.95-9.03 per cent per annum respectively.

Of these, Tk 1107.50 crores, Tk 63.00 crores, Tk 55.00 crores, Tk 10.00 crores and Tk 40.00 crores of 28-Day, 91-Day, 182-Day, 364-Day and 2-year bills were accepted respectively.

Range of these implicit yields were 7.00-7.20 per cent, 8.00-8.10 per cent, 8.35-8.40 per cent, 8.50 per cent and 8.95-8.98 per cent per annum respectively.

No bid was offered for the 5-year bill.

Mokammel Haque becomes Executive Chairman of BOI



Former Secretary M Mokammel Haque yesterday took over as Executive Chairman of the Board of Investment with the status of Minister, reports UNB.

Mokammel Haque was also Executive Chairman of BOI earlier when he served for less than a year, says a news release.

After graduation in Political Science at Dhaka University, he joined the civil service through Pakistan Civil and Foreign Service Examination in 1960 and held different important government posts.

As an administrator and policy-planner he worked for Integrated Rural Development Programme (IRDP), the Export Promotion Bureau, Quadrant-Khola Commission, National Land Reforms Council, Land Reforms Board and Land Appeals Board.

He was DC of greater Sylhet, Mymensingh and Chittagong districts from 1968-70. He was chosen to be the first DC of Dhaka district after Bangladesh's independence.

Mokammel became the youngest Secretary of the Ministry of Education in mid-1974.

He also served as Secretary in the Ministry of Commerce and Ministry of Health and Family Welfare.

The bureaucrat was selected by the Commonwealth Secretariat as Director Agriculture and Rural Development Division in 1980 and served there for six years.

Indian forex assets drop

NEW DELHI, Aug 22: India's foreign currency assets (FCA) dropped by 298 million US dollars to 30.450 billion US dollars during the week ended August 13, says Xinhua.

According to the Reserve Bank of India, the total foreign exchange reserves were down by 295 million US dollars to 33.115 billion US dollars during the week, after accounting for an increase of 3 million US dollars in the country's special drawing rights.

The country's FCA has risen by 928 million US dollars since the end of March 1999, while the increase from the end of December 1998 amounted to 3.492 billion US dollars.

The green faces of city corporate offices

The greenery around you is soothing. The long branches sway slightly in cool breeze. It is difficult to reach your vision far beyond the thick bushes. And you're waiting to meet someone, well, not in the Congo forest, but at a corporate office at city's Motijheel.

Yes, this is how the office environment of modern corporate Dhaka is changing from a strictly business, fright-evoking, offensive look to a soothing, welcoming one where customers can relax and talk real business.

The global free market policy nowadays forces service-oriented organisations to become creative and competitive even in interior decoration.

With the influx of multinational business houses in the '80s, the need for giving a new look to corporate offices with indoor plants became an inseparable part of marketing strategy. The objective of such strategy is to make their prospective customers feel utterly at home and more attached to the institute.

each plant, which is the highest among the other plant suppliers. Torukunjo has three nurseries—two for plant raising and another for retailing.

The retailing unit is located at city's New DOHS on a 44 decimal land, while the other two units are at Banani and Kamalapur, on about 137 decimal lands. More than 20 persons work at the nursery on a regular basis while 50 others work on an and-off basis. The plants are usually carried by rickshaw vans to offices.

Torukunjo makes an approximate profit of Tk 1.75 lakh a month from the plant rentals. It has a monthly expenditure of about Tk 1.5 lakh, while its earning is about Tk 3.24 lakh.

Kunjabon, another reputed nursery having 31 clients, supplies plants at the rate of Tk 65-75 each. It runs with a very small strength of only three employees. One of them is said to be a specialist in plant maintenance.

Decent is a new entrant in the plant rental business and is run by Nasima Hossain Amilee. It also charges low for each plant, about Tk 50-60.

She started her business by supplying only 14 plants to a clinic, Metro-Home, at the insistence of her cousin. Today, she has more than a hundred plants decorating various offices.

Amilee does not have her own land to keep the plants and therefore has to depend on many of her relatives for their storage. Her son and daughter assist her in running the business. She does not have any academic background in interior decoration with plants and like others, she takes ideas from the Indian and other foreign magazines.

The renting companies change the plants and replace new ones at every seven to 15 days. This is needed to provide adequate sunlight to the plants, or else they will die. Usually, the replacement takes place immediately before or after the office hours. Watering of the plants and other necessary maintenance works are done at every three to four days.

According to Amilee, who also runs a free school for the destitute children with the assistance of the Ladies Club, one requires to have access to high officials, which often helps them in entering the market. She finds it to be challenging. She also said that initial investment for starting such businesses does not necessarily have to be very high and one should also keep in mind that one can not become rich overnight by doing such businesses.

The owners feel that one needs to be passionate and innovative in his/her approach to create their own market. At present, there are 7-10 nurseries engaged in such businesses. More people are being attracted as the service-oriented offices these days are concentrating more on luring customers with eye-catching interior decorations.

At the same time, it has led to the sprouting of such plant-renting nurseries which offer services to these organisations.

Nazrul Islam, owner of the many award-winning nursery, Torukunjo, claimed that he had been the first to supply indoor plants like X-mas trees, dracaena and various types of palm trees for interior decoration on a rental basis.

According to him, Grindlays Bank rented a good number of indoor plants in 1983 as the bank found self-maintenance of the plants pretty tough. Instead, Torukunjo started doing the job for Grindlays and is now taking care of its 2000 plants.

Initially Islam used to request his friends and relatives who went abroad to bring exotic plants for him. Now he got his own import license since the business has expanded and demand increased considerably.

Nazrul Islam supplies some 2700 indoor plants to 16 different city offices. Torukunjo charges Tk 120 a month for

Owner of Kunjabon Mossadeq Hossain, former Dhaka University student, said that it costs him about Tk one lakh to maintain the nursery, which includes labour and transport expenditures.

The idea of plant-renting first erupted in his mind while he was on a visit to India in 1988. On return, he set up a nursery at his residence.

Hossain's first client was Renata Ltd. He struck a deal worth Tk 1675 a month with the company. Hossain now maintains a nursery on a 700 ft roadside stretch along the Residential Model School and College near College Gate in city.

He took lease of the land from the City Corporation for Tk 1200 a year. Mossadeq Hossain claimed that he was the pioneer in the country's organised plant business. In 1991, he sent letters to various companies making plant renting offers. Eastern Bank Limited was the first to respond to his offer and since then he has never looked back.

jointly the problems they face individually.

"Everyone will be watching to see if this merger represents a change in the market," Koo said.

The three banks have said personal cuts, branch closings as well as a combined 150 billion yen (\$1.34 billion) a year joint investment in enhancing their technological systems will increase the efficiency of their operations.

Investors welcomed the merger. On the Tokyo stock market IBJ ended the week bid-only at 1.084 yen against Thursday's last-traded price of 984, DKB was bid-only at 1.009 against Thursday's 909 and Fuji bid-only at 1.043 against 943.

Japan's leading bank, the Bank of Tokyo-Mitsubishi was formed in 1996 through a merger of two banks that complemented each other well but took considerable time to cut duplicate and become an effective institution, industry analysts say.

Japan's banking system is saddled with hundreds of billions of dollars in bad loans from the "bubble years" of the 1980s when financial institutions lent money wildly because of inflated land prices that have since collapsed some 80 per cent. (\$1=112 yen).

Japanese banks back in new world of mega-mergers

TOKYO, Aug 22: Japan's banking sector is back in the global financial race following the broad alliance of three of the country's biggest banks, says Reuters.

Japanese Finance Minister Kiichi Miyazawa said today a keiretsu programme that the alliance means a re-emergence of Japanese banks on the world stage and could herald further mergers.

"In the late 1980s, global banks meant Japanese banks. But then they became sluggish and the butt of world ridicule," Miyazawa said.

"But with this alliance), signs have emerged that two or three Japanese banks can act on an international stage," he added.

On Friday, Japan's Dai-ichi Kangyo Bank Ltd (DKB), Fuji Bank Ltd and Industrial Bank of Japan (IBJ), said they will form a joint holding company by the autumn of next year and integrate their business operations by the spring of 2002.

The move will create the world's first trillion dollar financial institution and help put the languishing firms back in the global rankings after their plummet following the collapse of the 1980s bubble economy.

The question remains if the new world of mega-mergers in the sector can break free of the mountains of bad debt, bloated

operations and low profitability that are plaguing the present world of Japanese banking.

The combined group will have assets totalling \$1.3 trillion, easily surpassing the current world banking leader Deutsche Bank AG, with assets of \$735 billion.

The next merger in the cards may be between Tokai Bank Ltd and Asahi Bank Ltd.

The two have been in long talks on forming a joint holding company and integrating their offices but have not announced any proposed timetable.

If the two banks decided on the marriage, they will have combined assets of 59 trillion yen (527 billion), which at current exchange rates make it the seventh-largest financial institution in the world.

Industry analysts said the next focus of their attention will be Sanwa Bank Ltd and Sakura Bank Ltd, two big banks that will need alliance partners to remain competitive under the intensified domestic and global competition resulting from Japan's "Big Bang" financial deregulation.

Nomura Research Institute chief economist Richard Koo said on a nationally televised programme that with the problems plaguing the Japanese banking sector, Fuji Bank, DKB and IBJ must consolidate their operations in order to overcome

the biggest constraint on integration.

"However, there is an increasing move to eliminate those barriers by regulators who recognise fixed-mobile convergence as a highly effective means of developing competition and accelerating network buildouts," the report said.

It added that the convergence of fixed and mobile services was "going to force changes on all kinds of operators—wire-line, wireless, Internet providers, re-sellers and others."

In many countries in Asia, including Malaysia, Singapore, the Philippines, Japan and Hong Kong, single operators are able to offer both fixed and mobile services.

Yen rise reflects hope for Japan's recovery

TOKYO, Aug 22: Japan's Finance Minister Kiichi Miyazawa said today that the yen's recent strength reflects hopes for Japan's economic recovery, but added his ministry will take action to deal with the yen's rise if its move is too rapid, says Reuters.

Miyazawa said the yen's rise against the dollar from the 120 yen level to below 111 yen is a result of buying related to Japanese stock purchases, which in turn reflected the market's expectations of an economic recovery.

"Rather than a speculative movement, it is the buying of Japan's future," Miyazawa said in a Fuji Television programme.

The comment marks a change in the finance minister's publicly stated views on the Japanese currency, and the first time that he clearly cited domestic factors as a reason for its recent rise.

On Friday, the benchmark Nikkei average of 225 leading shares finished at 18,098.11.

Asian telecom operators want integrated infrastructure

SINGAPORE, Aug 22: Almost half of Asia's telecommunications operators want to have an integrated infrastructure for fixed and mobile telephone services to meet increasing competition and save costs, according to a regional poll, says AFP.

At present, the majority of operators have separate networks for the two services, partly due to stiff regulations at home which mandate separation of fixed line and wireless networks.

A recent survey of 32 telecom operators, equipment suppliers and regulators in 12 Asian markets by European management consultant Gemini Consulting showed that 48 per cent of them had begun implementing a "fixed-mobile convergence" strategy.

"Increased competition and the proliferation of start-up telecom operators in some Asian countries make the region ripe for the merging of fixed and mobile operations," Gemini Consulting's director for telecom and media practice, Mitheral Singh, told the agency.

Citing mature mobile phone markets like Hong Kong and Singapore, he said competition was increasing and margins were shrinking.

"The integration of fixed and mobile telephone networks would provide customers with 'seamless' services—single account and billing, lower prices and even a single telephone number, Singh said.

According to a special report on the survey, operators said regulatory arrangements were

President Jiang and other leaders seem to lack the political will to starve inefficient state enterprises and nurture the fast-growing private sector.

Instead, they are resorting to a mishmash of government mandates that may help alleviate the symptoms of China's industrial malaise but are unlikely to cure it.

Production of television tubes was suspended for two to three weeks in early summer. Investment in factories to produce TV sets, air conditioners, refrigerators, plastic bags, bicycles, microwave ovens, candy, salt, apple juice, liquor and other items will halt Sept. 1. To counter a real estate glut, officials will withhold permits for new luxury apartments, hotels and office buildings.

The government announced recently it will raise pay for civil servants by 30 per cent to 40 per cent, apparently in hopes of discouraging corruption and encouraging more consumer spending. To compel the thrifty to spend more, it reportedly plans to tax the interest on savings.

Yet, while the economy sags, government bureaucrats and state-enterprise managers are tied up with a Maoist-style political campaign intended to purge those judged to be corrupt or disloyal.

T&T arrears bills in 11 dists in Barisal stand at Tk 25 cr

BARISAL, Aug 22: Already confronted with the increasing trend of non-payment of bills by its subscribers, T&T's arrears telephone bills in 11 districts of the Barisal region now stands at Tk 25 crore, reports UNB.

Of the amount, government offices owe Tk 8 crore to T&T, while semi-government offices Tk 2 crore and private organisations and general subscribers the rest of the amount, official sources said.

They said most of the T&T's 20,000 general subscribers in Madaripur, Faridpur, Rajbari, Gopalganj and Shariatpur districts and six districts of the Barisal division rarely become defaulters, but the influential section, mainly industrialists, of the region never pay their bills regularly.

There have been reports that a section of dishonest T&T officials have underhand dealings with the big defaulters, resulting in the heaping up of outstanding bills.

"Our telephone lines have remained disconnected for non-payment of bills for the last one or two months. But the lines of those big people who do not pay bills for years together remain intact," lamented a college principal.

China takes aim at market glut, deflationary spiral

BEIJING, Aug 22: Big screen colour TVs sell for \$150. Washing machines go for \$100. Men's and women's shirts are \$2.50. Prices have never been lower at Beijing's Landa Department Store.

And that's the problem. China is struggling to transform state-run factories into competitive industries but its markets remain glutted with consumer goods. Producers already deeply in debt are bankrupting each other with fierce price wars instead of adjusting to market demand, reports AP.

Fearing that the deflationary debt spiral will worsen unemployment and ignite social unrest, the government announced last week a ban on investment in production of a wide array of consumer goods.

Meanwhile, President Jiang Zemin is visiting one factory after another, exhorting all to do their best to reinvigorate state enterprises.

"The good performance of state enterprises is not only a major economic issue... but also a major political issue affecting the fate of the socialist system," Jiang said in a recent speech during a trip to the industrial northeast.

His campaign to reboot the economy seems, however, to be making little headway in wean-

ing state industries from their reliance on state subsidies and protection.

"They have gotten to the point where the easy stuff has been done and they are running into economic, political, financial and social constraints," said Ken Courtis, regional economist for Deutsche Bank Capital Markets (Asia).

Prices in the saturated consumer market have been falling since October 1997. Regulators imposed minimum prices for TV sets and some other items, but instead of cutting production, state factories churned out even more. As prices drop losses are mounting, driving manufacturers ever deeper into debt.

Many products may be the cheapest ever, after adjusting for inflation. With factories aren't buying. With factories laying off workers by the millions each year, people worried about losing their jobs are stashing their money away.

In addition, the Asian economic crisis and slower world growth have cut Chinese exports and reduced foreign investment. Massive public works spending, repeated interest rate cuts and other tinkering haven't spurred consumer buying. Now the government spending boom is waning.

Despite the sense of crisis,

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