The Daily Star
BUSINESS
DHAKA, TUESDAY, AUGUST 24, 1999

Southtech becomes Microsoft-certified solution provider

Southtech Limited, a specialist management consulting and Information Technology Company, has become Microsoft Certified Solution Provider (MCSP) joining a worldwide network of Microsoft specialist firms, says a press release.

This prestigious certification acknowledges Southtech's unique expertise in the development of software and LAN solutions using a wide range of Microsoft products.

Southtech Limited was formed in May 1996, primarily as a software house. It now offers a wide range of other technology-related services including hardware supply, network design and installation, corporate training and management consultancy.

It has undertaken and successfully implemented some of the country's largest automation projects.

These include the creation and management of a credit and savings management software for the world's largest NGO with a database currently comprising of almost 3 million clients.

Other products include a state-of-the-art point of sale system (currently in use by the country's largest departmental chain), student management system, accounting system, stockbrokerage system, computer based examination system, and various multi-media based training packages.

S'pore hospitals to be Y2K safe in time

SINGAPORE, Aug 23: Singapore's hospitals and health care institutions will be able to handle the so-called millennium bug by the time the year 2000 rolls around, a leading daily on Monday quoted health officials as saying, reports AP.

At least one institution — the Tan Tock Seng Hospital — is already Y2K compliant, the Straits Times reported.

The coming of the new millennium has raised global fears that many computers' inability to recognise the year 2000 could cause breakdowns in systems from banks to airplanes.

Singapore has been at the forefront of refurbishing its computer systems to tell the difference between the year 2000 and the year 1900.

At Tan Tock Seng Hospital, over 800 pieces of life-support equipment have been tested to ensure they continue working after midnight, December 31, 1999, the newspaper said.

"You won't even be able to tell if the power runs out. There may be a light flicker, and everything will continue to run smoothly," Dr Leong Seong Kwok, head of the hospital's Y2K project, was quoted as saying.

Bank mergers to gain pace: BIS

ZURICH, Aug 23: The pressure on banks to merge seems likely to keep growing as bankers scramble to cut costs and become more efficient in an increasingly competitive business, the Bank for International Settlements said, reports Reuters.

The trick will be to have the sector consolidate without letting banks take excessive risks during the restructuring process, the BIS said in its latest quarterly report.

It was written before news broke of a three-way Japanese bank merger to create a trillion-dollar financial giant, the latest evidence of the trend in the financial services sector.

Although banks' profitability has been steady or rising since the mid-1990s — with Japan's struggling banks the prime exception — the sector faces serious structural challenges.

Deregulation and technological advances in financial services have given competitors a leg up against entrenched banks at a time margins on capital are shrinking and shareholders are demanding a decent return on investments.

"Looking ahead, there is little reason to believe that the forces for change will abate," the study said, noting deregulation had not yet run its course.

It was uncertain how the US division of investment and commercial banking would turn out, while Japan was only starting to feel the impact of its "Big Bang" financial services reforms.

"In the European Union, it is probably only a matter of time before the mortgage lending sector is exposed more fully to the rigours of competition and before the conduct of business restrictions that still hamper the direct provision of cross border services in the retail sector come under closer scrutiny," the BIS said.

The creation of the euro is forcing the pace of change by making prices transparent and chopping revenue from foreign exchange trading. Electronic banking is also exposing banks to challenges from upstarts.

"Overall, booming demand for financial services may well continue to fuel above-average growth rates for the financial sector in the long term," it said, citing the demand for asset managers to handle growing pools of capital saved for pensions.

20-member team due in city next month

Singapore to make fresh investment in Bangladesh

A high-level Singaporean trade delegation will arrive here in the second week of the next month to finalise their new investment in Bangladesh, reports BSS.

The 20-member delegation will comprise potential investors in the sectors like textiles, leather, agri processing, manufacturing and frozen food in Bangladesh.

Singaporean High Commissioner to Bangladesh Ridzwan D'zasir communicated this to Commerce and Industries Minister Tofail Ahmed at his office here yesterday.

While welcoming the eagerness of Singaporean investors to set up export-oriented industries in Bangladesh, the minister said, "We are discussing with India for allowing duty-free access of our products to the market of 100 crore people. Primarily Bangladesh wants duty-free access of the products of 25 categories to India.

The minister said that the Indian government has also agreed in principle to allow the access of Bangladesh products on a non-reciprocal basis. Besides, we have taken a good number of steps to diversify our export baskets and destinations, he said, adding, "We are enjoying preferential market access to many of the developed and developing countries.

He said that the production of the country has to be raised a lot to meet its future export demand. "So, we are welcoming foreign investment, offering maximum incentives and facilities," he added.

The minister also said that Singaporean entrepreneurs could also invest in service sectors of Bangladesh. They can construct hotels in Dhaka, Chittagong and at Cox's Bazar and World Trade Centre in Dhaka.

He said more interaction with the government and the private sectors would help Singaporean investors to locate their areas of investment with maximum dividends.

Meanwhile a three-member delegation from Singapore, led by the High Commissioner of Singapore to Bangladesh Ridzwan D'zasir, visited the Dhaka Chamber of Commerce and Industry (DCCI), and had a discussion meeting with the members of the Board of Directors of DCCI, says a press release.

During the meeting, the High Commissioner said, His country is willing to invest in Bangladesh.

He said Singapore has already made investments in China, Malaysia, Indonesia, Myanmar and Vietnam.

Welcoming the team, DCCI President M H Rahman said that Singapore was not only a gateway to ASEAN countries but also to BIMST-EC countries of which Bangladesh is a member. So, Bangladesh was very eager to further expand its trade and investment cooperation with Singapore.

BGMEA, Shippers' Council express concern

'Congestion surcharge a conspiracy against export growth'

The Garments Manufacturers and Exporters Association has expressed its concern over the imposition of congestion surcharge by CFTC at Chittagong Port and said it would seriously hamper the country's external trade, reports UNB.

Alhaj Khalilur Rahman, vice-president of BGMEA, in a statement yesterday termed the move as a conspiracy against export growth. He said there was no congestion at the port during the last 16 days.

Moreover, the duration of stay of ship at the port came down to four days from five days and as such CFTC had acted unilaterally violating the UNCTAD Code for Liner Conference, he said.

He said that the garments industry would be affected by the decision of CFTC as they are to pay surcharge for importing raw materials and exporting readymade garments.

The BGMEA leader urged the government and the port authority to take necessary steps to reverse the CFTC decision.

Meanwhile, Syed Md Anisuzzaman, Acting Chairman of the Shippers' Council of Bangladesh, has also expressed his deep concern over the imposition of the Surcharge by the Chittagong Feeder Trade Committee and its member organisations inspite of considerable improvement in the operation of Chittagong Port recently, which has also brought down the loading/unloading time of foreign ships at the port. The number of ships waiting at the outer anchorage has become negligible.

He also pointed out that this surcharge would, affect "our shippers adversely who are already hard hit by the exorbitant rate of ocean freight and terminal handling charges."

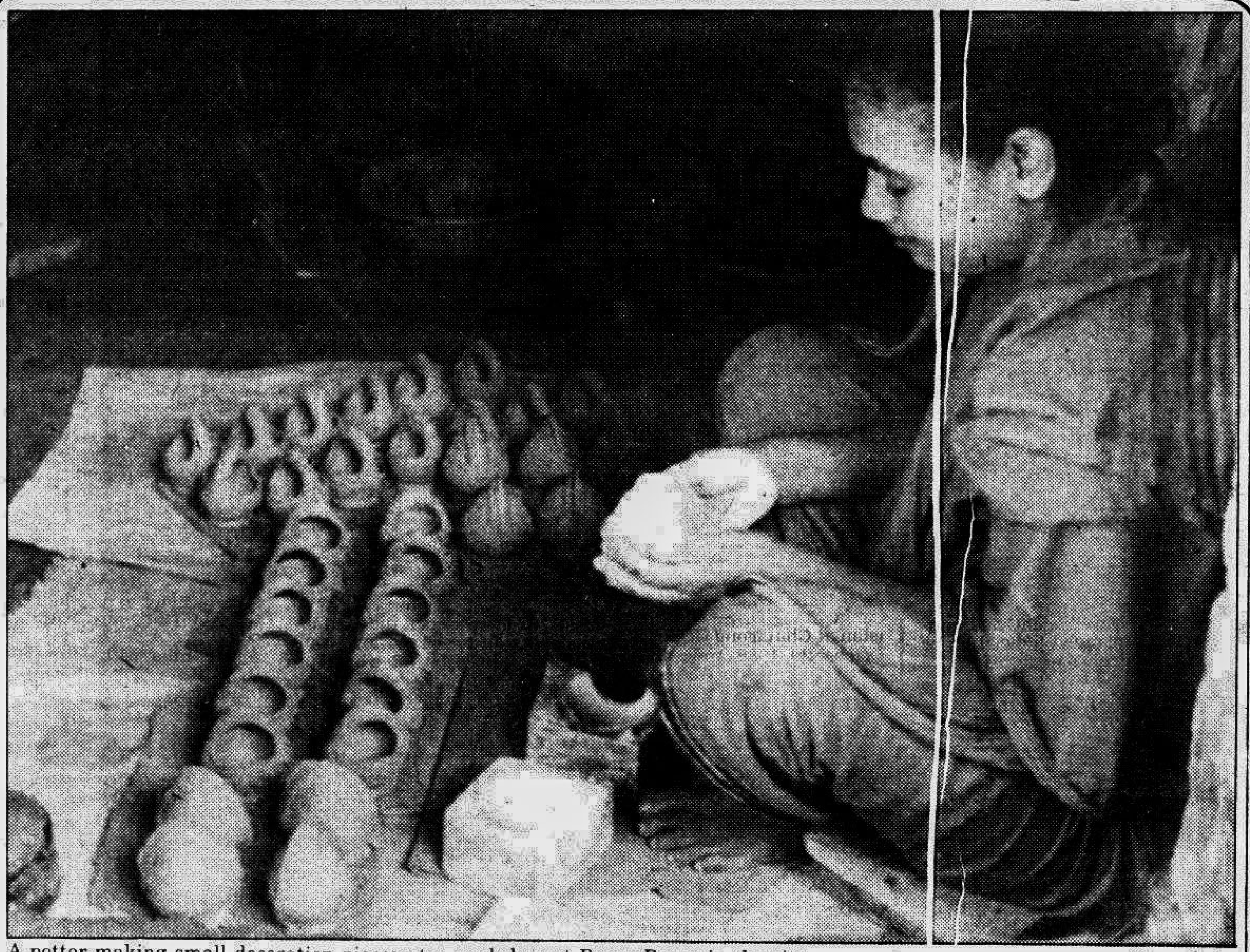
He said that the Shippers' Council chairman had already requested the Singapore-based CFTC authority by a fax message to reconsider their decision to stop congestion surcharge. He again requested the CFTC authorities to immediately withdraw the surcharge.

Thai economy still faces hurdles

BANGKOK, Aug 23: Thai ministers today welcomed IMF forecasts of three to four per cent growth for the economy this year but said much still needed to be done to spur growth, says AFP.

Ranjit Taja, heading an International Monetary Fund (IMF) mission from Washington, said earlier the Thai economy was showing many signs of recovery, including stronger exports and domestic consumption.

He said that the economy may grow by as much as four per cent of gross domestic product (GDP) this year and five per cent in 2000, according to reports in the local press.



A potter making small decoration pieces at a workshop at Rayer Bazar in the city. —Star photo

The plunging pottery industry

Lack of investment, flooding industrial products take toll

By Monjur Mahmud

How many of us use earthenwares today ? Mohammad Ali asked the question and also gave the reply by slowly shaking his head in an air of despair.

The potter today faces a grim future as mass products from different factories have sent a red signal to Bangladesh pottery.

"In the free market economy, we have to face stiff competition with the cheap industrial products, both local and foreign," observed Mohammad Ali, one of the very few surviving potters at Rayer Bazar in the city who are still fighting against odds by diversifying their products.

Ali said that the number of potters was gradually coming down as sales of the traditional handmade pottery have been on decline over the years.

"Earlier, many organisations like Bangladesh Small and Cottage Industries Corporation (BSCIC) gave me support and I could participate in different fairs like Baishaki Mela and Dhaka International Trade Fair (DITF) and make good sales. But now it is very difficult for me to participate in the fairs."

Ali said that he wanted to participate in this year's DITF. But he did not have Tk 60,000 for a stall.

Rayer Bazar was named after Ray Babu, a zamindar, who brought the *Pals* or potters there from Murshidabad of India. By 1947, Rayer Bazar became a booming pottery-producing area and more than eight hundred families were engaged in the trade.

Today, most of the potters have vanished from the area. They have either changed their profession or migrated elsewhere. The last of the potters -- Maran Chand Paul, Subash Chandra Pal and Mohammad Ali -- are still trying to breathe life into the industry by making diversified products like flower vases, ash-trays and figures of different birds and animals, especially the species which are favourites with people. These products also find their ways well into the posh handicraft shops in the city.

But cheap and well-finished potteries from different industries and lack of proper marketing policy are posing threats to the age-old business.

Maran Chand Paul is a fourth generation potter. His father Gopal Hari Pal, grandfather Ganga Charan Pal and great-grandfather Jagannath Pal were all potters by profession. Mohammad Ali and Subash Chandra Pal have learned the trade from Maran Chand Paul.

Maran Chand tried to modernise his plant by setting up a gas kiln in 1978 for the first time at Rayer Bazar. The same year, he won the first prize at the Shishu Academy Baishaki Mela.

He formed a cooperative to train up potters and made a deal with Karika, a handicraft firm that sells and exports handicrafts.

Maran Chand later also struck more deals with some shops including Aarong, Champak, Chandan, Saju Art, Jiraj Art and Bangla Craft.

"Those were the good times. The shops used to buy whatever we made," said a lamenting Mohammad Ali. "Now we get orders from the exporters who provide us with samples to get things made after their liking."

But export orders are today dwindling as the potters are often unable to come up with high-quality products.

"We need investments and training of potters to develop craftsmanship. Unless we can ensure that exporters will not be satisfied," said Ali.

In those golden days, Maran Chand's workshop was one of the few places in Dhaka where needy women could easily find jobs.

Mohammad Ali, the only Muslim potter of Rayer Bazar, opened his workshop in 1978. Five years later, he secured a loan from BSCIC, installed a gas-fired kiln and began imitating things coming from foreign countries.

Lead-glazed vases, ash-trays and different earthen birds and animals are the most common items being churned out from his workshop.

But he tries his hands on modern forms and products as well. This he does in order to meet the demands of the export market. Some of his new export items are soup bowls, sugar bowls and pitchers. As for the local market, he finds that figures of horses, elephants and swans sell good.

Ali is now giving glazy terracottas a try, which he thinks will bring him handsome money.

"Terracottas can be used in beautifying houses since it adds a kind of magnificence to them. If I can make my ideas thrive, it may help the almost-dead pottery industry to get back on its feet again."

RBI acts to stop rupee rot

BOMBAY, Aug 23: The Indian rupee moved slightly off a record closing low struck at the end of last week after the Reserve Bank of India (RBI), announced today it would use its reserves to meet oil import and government debt payments, says Reuters.

The central bank said in a statement before trading started that it would also intervene to bridge any shortage of dollars in the market.

Traders said the RBI moves would ensure the rupee remained calm through India's general election, which begins on September 5 and ends on October 3, although political uncertainty had not been seen as the root cause of the currency's recent decline.

The rupee was firmer in late morning deals on Monday at 43.515/525 per dollar, after having ended at 43.565/57, its lowest ever close, on Friday.

It lost 14 paise (0.14 rupee) last week, and has fallen nearly two per cent against the dollar since last May, when a border conflict with Pakistan backed infiltrators in Kashmir unsettled markets.

Last week's declines were primarily sparked by state-run firms' import demand.

But on Friday speculation, fuelled by local newspaper reports, that the Group of Eight countries could stall loans to India in reaction to its draft nuclear deterrence policy put extra pressure on the rupee.

The RBI said it would meet, fully or partially, the foreign exchange requirements for the import of crude oil by the state-owned Indian Oil Corporation IOC.BO and the government debt service payments directly as necessary.

That would keep the largest chunk of the country's imports and dollar demand off the currency market.

Oil imports accounts for more than a fifth of India's import bill and though they were lower at $5.88 billion in 1998/99 (April-March) over the pervious year's $7.63 billion, a surge in global oil prices to 22-month highs is expected to inflate this year's bill.

The country has projected debt service payments of $9.14 billion in 1999/2000, a bulk of which is multilateral and bilateral sovereign obligations.

The head of currency trading at a foreign bank said the central bank's moves were aimed at halting the rupee slide.

"Without these statements, the rupee would have tested 43.60 levels and moved very swiftly to its all time low of 43.70. This will apply the brakes," he said.

The rupee struck a low a year ago, but recovered after the RBI clamped down on speculation against the rupee, which is convertible on the current account.

Economic planners believe

Malaysia can withstand any outflow of funds

KUALA LUMPUR, Aug 23: Top economic planners believe Malaysia can withstand any outflow of funds come September 1 when a one-year lock-in period for foreign stock market investors expires, news reports said today, reports AFP.

The members of the National Economic Action Council also saw "no compelling reason" to change the ringgit's peg to the dollar, imposed as part of capital controls introduced last September, but did not rule out an alteration in the future.

The council said new investment or reinvestment in local equities would largely make up for any outflows come this September.

There was an inflow of new portfolio funds amounting to 4.2 billion ringgit (1.1 billion dollars) since an exit levy was imposed on February 15, the official news agency Bernama quoted a council statement as saying.

"Much of these outflows would be mitigated by new (investment) or reinvestment in Malaysian equities," the council said.

It said the exit levy had been favourably received by investors and had ensured a more graduated outflow of funds before September 1.

The one-year lock-in period, part of capital controls imposed last September, was designed to counter the impact of Asia's financial turmoil.

On September 1 stock market investments made in Malaysia before Feb 15, 1999, can be repatriated without any levy. Profit from investments repatriated after September 1 will pay the 10 per cent levy.

The council said the risk-weighted capital ratio of banks had risen to 12.7 per cent, part of a general improvement in economic fundamentals.

The central bank's foreign reserves had risen to 31.9 billion dollars, enough to finance almost seven months of imports.

The council said these figures put Malaysia in a position to withstand any potential outflow of funds.

It stressed that the repatriation levy would remain but said this did not deter investors since it was designed to encourage longer-term investment.

"What we need to do, perhaps, is to simplify further the administration of the levy system," it said.

'Russia needs more radical reforms'

LONDON, Aug 23: Russia needs to implement more radical reforms, a top International Monetary Fund official said in a letter published in Monday's Financial Times, says Reuters.

"Of course we share the frustrations of other friends of Russia about the failures of economic policy," John Odling-Smee, director of the IMF's second European department, said in the letter.

However, he said the IMF was right to remain engaged in its attempts to improve Russian policies through persuasion and strict loan conditionality, and that its credibility would not be damaged by lending in current circumstances.

Russia has been an IMF member for less than 10 years but is already the IMF's biggest single borrower. The fund has repeatedly halted payments because of worries about low tax collection or sluggish progress on reforms.

IMF First Deputy Managing Director Stanley Fischer said at the end of July the Russian economy was doing better than expected but the IMF was asking Russia to provide more information about its central bank reserves in the wake of 'misreporting' about funds channelled through a subsidiary of the bank.

Japan says it isn't learning to love strong yen

TOKYO, Aug 23: Japanese officials sought today to temper the impression that they are learning to love the strong yen, renewing threats of action to curb its rise, says Reuters.

Senior Ministry of Finance officials reiterated their concern about the yen, playing down comments on Sunday by their boss, Kiichi Miyazawa, that the yen's rise reflected a welcome "buy Japan" mentality.

Miyazawa's remark in a rare television interview from his vacation spot outside Tokyo "was a comment made within the context that there is no change in our fundamental stance regarding forex", said Vice Minister Nobuaki Usui.

The ministry has said for months it was ready to take "decisive action" to block a premature rise in the yen from derailing Japan's nascent economic recovery, although it has not been seen intervening in the market since July 21.

The authorities had intervened heavily, hoisting the dollar briefly above 122 yen, after brighter economic data and business sentiment began pushing the currency upward in early June.

But they have since stood by as the yen strengthened, offering only verbal warnings that have been increasingly discounted by the market.

IMF team to talk on resuming loans to Cambodia

PHNOM PENH, Aug 23: An International Monetary Fund (IMF) team is due back in Cambodia this week for talks on resuming multi-million dollar loans to the impoverished country, finance ministry officials said today, reports Reuters.

The team is due to meet various government officials to review economic reforms and discuss a new Enhanced Structural Adjustment Facility (ESAF), the officials said.

"We hope the IMF will resume assistance to Cambodia," said one finance ministry official who declined to be identified.

"The government has made great progress (with its reform programme) but we don't know how big their help might be. It depends on the negotiations," he said.

Lack of reform seen frustrating euro zone recovery

LONDON, Aug 23: What chance of a US-style economic boom in Euroland? Not much without a top-to-bottom shakeup of Europe's rigid labour market and cradle-to-grave welfare system, say many economists, reports Reuters.

"High unemployment structurally depresses domestic demand in Euroland so the present export-led upturn in economic activity won't be helped by consumer spending," said economic strategist Peter van Doesberg at Kempen & Co in the Netherlands.

The United States has enjoyed more than 30 straight quarters of non-inflationary expansion that has turned the 1990s into a golden era for investors.

But the euro zone's economic recovery could be shortened by failure to change growth-stifling labour market policies, tax laws and generous social security systems, economists across Europe canvassed by the agency said.

"The dynamism of an economy holds the key for its medium-term success," said Lukas Daalder of Rabobank in Utrecht. "Dynamism — especially in Italy and Germany — is hindered by structural weaknesses which need to be overcome."

Euroland unemployment is 10.3 per cent. Economists often blame a lack of flexibility, such as with respect to hiring and firing in response to economic cycles, for the stubbornly high rate.

Of 25 economists across Europe who were surveyed, 13 believed lack of structural reforms in the currency union could have a significant to very significant impact on the length of the upturn. Nine thought the impact would be moderate while three felt it would have little or no effect.

Economists said the slow pace of economic reform could affect Euroland's economy in a variety of ways.

"The largest problems reside in the labour markets and in social security," said Constantino Rui of Lisboa Research in Lisbon. "If these are not addressed, growth will do little to reduce unemployment, with effects on the public budget deficit."

Governments would continue to face constraints in reducing budget deficits, preventing them from cutting taxes and using funds to increase public investment, he said.

Crucially, said Gianlucca Sanna of Stone and McCarthy in London, the lack of structural reform would reduce the rate at which trend growth was sustainable without generating price pressures.

"Whereas 3.5 per cent to 4.0 per cent growth is still consistent with stable prices in the US, a similar figure for Euroland would be closer to 2.5 per cent," he said.

This means the European Central Bank could be forced to raise interest rates before the economy really picked up steam.

Stephen Pearson of Halifax bank in London said the slow pace of reform meant the threshold at which recovery becomes inflationary is much lower in Euroland.

"NAIRU (the non-accelerating inflation rate of unemployment) is much higher in Europe than in the US or UK due to labour inflexibility," he said.

According to NAIRU, if unemployment falls below a certain level, inflation starts to rise and will stop increasing only when unemployment starts to rise.

A growth rate of more than three per cent is needed to trigger a sustainable upswing in the labour market, said Gerhard Grebe of Bank Julius Baer in Frankfurt.

Not all economists, however, believed Euroland was faring so poorly on the structural reform front.

"Some structural problems have already been tackled and market liberalisation is gaining momentum," said Hans Jaeckel of DG Bank in Frankfurt. "One should also not forget that some of the necessary reforms might rather have negative effects on growth in the short term," he added.