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Row over 'free-quota' distribution dips RMG industry in crisis

Quota performers seen enjoying the fruits

By Inam Ahmed

The garments industry is now sunk in a crisis over 'free-quota' distribution and over-shipment of apparels to the US market.

There have been allegations that a certain quantity of free quotas has been transferred to 'quota performers' instead of non-quota performers, according to industry sources.

As per the quota policy, non-quota performers, basically some 1900 small factories that are surviving under stress, enjoy five per cent of the total quotas for the country i.e. free-quota.

But now allegations regarding free-quota offers to quota performers have created resentment in the RMG industry.

At the same time, over-shipment of apparels to the American market has made certain quota categories risky as the industry circle feels it may result in imposition of US

embargo on these items.

As per calculation, performance up to 113 per cent of the allocation does not create any situation for US embargo. But once a ban is imposed on any item or category, the buyers cannot release these goods. Consignments which cannot be released or shipped from Bangladesh, automatically become stocklot. In the past, such embargoes led to millions of dollars in losses for Bangladeshi factories.

This year it was found that there had been some over-programming in a few quota categories. The situation called for slapping restrictions on shipment dates of these category of items from Bangladesh. Unless the move was made to put a brake on over-shipment, the US authorities would have imposed its own embargo, tarnishing the country's image and its export future.

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) has already asked the Export Promotion Bureau (EPB) to look into the problems faced by the industry today.

"It appeared that there was a risk factor for embargo in certain categories, hence it would be prudent to minimise this risk by restricting shipment dates up to a certain period of time and closely monitor the fill rates," BGMEA President Anisur Rahman Sinha wrote to EPB.

"It has also been noticed that a certain quantity of free quotas has been transferred to performers quota while calculating the performance quota programme. We would request you to review this and allocate the free-quota as per quota policy for the sake of equitable distribution."

According to figures available, some 721,921 dozens of free-quota apparels of different categories - 517,475 dozens in local fabrics and 204,446 in imported fabrics - were distributed among the quota performers, violating the quota policy.

According to the system, BGMEA quota monitoring and administration committee makes calculation of free-quota distribution whereas EPB's quota allocation body distributes the quotas among exporters.

According to sources, EPB has stopped distribution of free-quota after receiving Sinha's letter.

A senior BGMEA official told The Daily Star that the distribution of free-quota among quota performers was not intentional and was perhaps mistakenly handed out.

Ctg share investors slate SEC

Failing to ensure dividend disbursement, fund siphoning

From M Shamsur Rahman

CHITTAGONG, May 13: The Securities and Exchange Commission (SEC) yesterday came under harsh criticism from the Chittagong share market investors.

At a seminar jointly organised here by the SEC and the Chittagong Stock Exchange (CSE) on 'Investment in share market: 1996 vs 2000', the investors questioned the role of the market regulators, saying that the SEC had failed to protect their interests.

They blasted the SEC for its failure to ensure timely disbursement of dividends by the listed companies. The investors said that many companies had siphoned off crores of taka without investing the money they raised from the general investors in projects.

A number of them said that the SEC move to suspend trading of some companies were not helping the investors much. "And our investments worth crores of taka have simply

turned into nothing but useless papers."

The seminar held at Agrabad Hotel here in the city was attended by around 450 investors who also wanted the SEC to give them an idea when the market situation would improve.

Responding to their queries and grievances, SEC Chairman MA Syed said, "It is not the job of the Commission to increase or decrease the share market indices, but to put necessary rules and regulations in place."

"Investors are the life of a capital market and the market is meant for the investors. The SEC's job is to ensure that their interest are rightfully protected," Syed said.

The Commission has the responsibility of ensuring timely dividend disbursements by the listed companies and holding of annual general meetings (AGMs).

"But unfortunately enough, we have a bitter 1996 experience in our share market chronicle. I

feel embarrassed and frustrated when I remember the events of 1996 in which thousands of investors lost a whole lot of their savings. I don't know when the compensations would be done," the SEC chairman said. He however said the 1996 experience has made SEC more careful.

Speaking on the occasion, CSE President Amir Khorru M Chowdhury MP called for more divestment of the government-held securities to create market depth.

The CSE president said that the country's stock exchanges were better equipped than many regional bourses. He said that the CSE was currently linked with three major cities - Dhaka, Chittagong and Sylhet -- and trades online.

Khorru said that the CSE was currently working on roping in investors of Bogra, Jessore and Rajshahi.

He also said the South Asian Federation of Exchanges

(SAFE) has created a common platform for the regional bourses to draw investment.

Khorru said that currently the SAFE working committee was preparing common rules and regulations which will be forwarded to respective governments for enabling cross-border trading.

The CSE president also sought SEC permission to allow the bourse to revert to the weekly settlement system, which was changed to 'day netting' settlement system.

He said being self-regulatory organisations, the exchanges should be allowed to function within their frameworks for better performance.

Speaking on the occasion, CSE Chief Executive Officer (CEO) Wall-ul Maroof Matin said that the market was now improving with the improvement in the indices.

He also said share prices of companies with strong fundamentals are gaining these days.

Top ten BAWC cargo agents awarded

The award-giving ceremony of the British Airways World Cargo for its top ten cargo agents for South Asia was held at a city hotel recently, says a press statement.

Baba Devani, Area Manager for South Asia, distributed certificates for the year 1997-98 and 1998-99.

The ceremony was attended by prominent cargo agents, representatives of the Civil Aviation Authority, Biman, elites and government officials.

The ceremony was followed by a colourful cultural programme and raffle draw.

Kutubuddin Ahmed, chairman of Pinata Air International, received the certificate of top cargo agent as the GSA.



MS Shafique, Cargo Manager of Bangladesh, Pakistan, Sri Lanka and Maldives, Kutubuddin Ahmed, GSA chairman, BAWC Dhaka, and other top cargo agents of British Airways for South Asia, are seen with Baba Devani, BA Area Manager for South Asia, at an award-giving ceremony held at a city hotel on Thursday. —BA photo

Lanka postpones donor meet

COLOMBO, May 13: Sri Lanka said today that it had postponed this month's annual meeting of donor countries in Paris because of its preoccupation with the ethnic war in the north of the island, says Reuters.

Deputy Finance Minister GL Peris told the state-run Daily News that donor countries and agencies had been informed of the decision to put off the May 29 meeting, which had been taken because of the 'prevailing situation in Sri Lanka'.

At the last donor meeting in the French capital, in May 1998, Sri Lanka won financial support worth \$780 million, but not without a demand that it seek an end to the conflict with Tamil Tiger rebels that has raged since 1983.

The Daily Mirror said donors were told that it would be difficult for a Sri Lankan delegation to visit Paris because of the intensifying battle between the military and rebels

Pakistan tax scheme aims at 60pc black money

KARACHI, May 13: Pakistan hopes to bring over 60 per cent of its black economy, estimated to be larger than the formal one, into the tax net under an amnesty scheme that ends in June, a senior tax official said yesterday, reports Reuters.

Mohammad Shafi Malik, regional commissioner of the state income tax department for Sindh and Baluchistan provinces, told reporters at most 700 billion rupees (\$13.49 billion), equal to double the total tax revenue, were lost every year because of the black economy.

"We fell that almost 60 to 70 per cent of the black economy will come into the tax net by June 15," he said.

people fully prepared to trace people who evaded taxes if the scheme falls below expectations.

Only about one per cent of the country's 140 million people pay taxes and the military rulers who seized power last October have made a widening of the tax net a key priority. International donors have demanded the same for years.

But such a move has faced widespread domestic opposition, and traders who have defied efforts by previous governments to widen the tax net are on the verge of a confrontation with the government again.

A powerful traders group on Thursday called for a three-day strike from May 19 against government moves to impose a retail sales tax in the budget for the new fiscal year that starts in July.

The traders also vowed to resist the tax survey.

Malik said the government would deal sternly with those who try to organise the strike and encouraged traders to take part in the amnesty.

UNCTAD welcomes Dhaka's proposal for monitoring mechanism

GENEVA, May 13: Bangladesh has proposed establishment of an inter-governmental monitoring mechanism to evaluate progress in execution of the steps of different meetings for the Least Developed Countries (LDCs), reports BSS.

Ambassador Ittekkhar Ahmed Chowdhury, Permanent Representative to the United Nations, made the proposal here on Friday while speaking on behalf of the LDCs at a session of Trade and Development Board.

Besides UNCTAD Secretary General Rubens Ricupero, many delegates attending the session appreciated the Bangladesh proposal.

In his statement, the Bangladesh envoy said that the absence in the past of any inter-governmental monitoring mechanism in the UNCTAD prevented it from assessing the implementation of the decisions of various conferences.

"We must learn from the past," he said, adding "success does not lie in not making mistakes, but surely it lies in not making the same mistakes over and over again."

He urged the UNCTAD to assist the least developed countries individually and collectively to prepare for the third UN Conference on LDCs scheduled for May next year in Brussels.

OECD states set to end tied-aid for poorest nations

Recipients to get free hand to carry out projects

PARIS, May 13: Industrial countries are close to agreement on giving the world's poorest countries a free hand in choosing companies to carry out aid-funded projects and hope to finalise a deal in June, the OECD said yesterday, reports AFP.

Members of the OECD's 23-member development assistance committee (DAC) made "significant progress" on untangling aid during two days of talks here but "for some of our members a final stage still needs to be completed," DAC chairman Jean-Claude Faure told a news conference.

He said he hoped that a DAC meeting on June 20 would be able to announce a final agreement on ending the so-called tying of aid to the world's poorest countries, a system where the aid recipient is forced to use only companies from the donor country in carrying out the project being funded.

A DAC ministerial meeting a year ago failed to reach the hoped-for agreement on untangling aid, but Faure said that "we have made what seems to me considerable progress" since then.

He said that "for some time tied aid has not seemed to us to be consistent with the responsibility we are asking developing countries to assume" for their own development, notably because limiting the use of aid to companies from a particular country ruled out local tenders and made aid allocation less efficient.

But some DAC members, such as France and Japan, have argued that if aid is not tied the most generous countries can find themselves providing aid to projects which are carried out by companies from far less generous nations.

Faure told the press conference that one of the outstanding issues is still "the fair sharing of the (aid) effort by member countries."

In a statement issued after this week's meeting, Faure said DAC members called for simplification and greater international coordination in aid policies, as well as coherent long-term strategies.

It was no good asking developing countries to produce 10-year development plans, Faure told the news conference, if

donor countries were unable to offer similar long-term guarantees on aid strategy.

The DAC said that members' overseas development aid rose five per cent in real terms last year to total 56 billion dollars (62.2 billion euros), representing 0.24 per cent of donors' combined gross national product, up from 0.23 per cent the previous years.

But most of the increase was due to special assistance from Japan to countries affected by the Asian financial crisis, and aid to Kosovo, and the overall figure was still far below the United Nations ODA target of 0.7 per cent of GNP.

The only DAC members to reach the target were Denmark, the Netherlands, Norway and Sweden, the Denmark's ODA equivalent to one per cent of GNP.

The United States remained bottom of the list, with ODA at 0.10 per cent of GNP, the same level as in 1998.

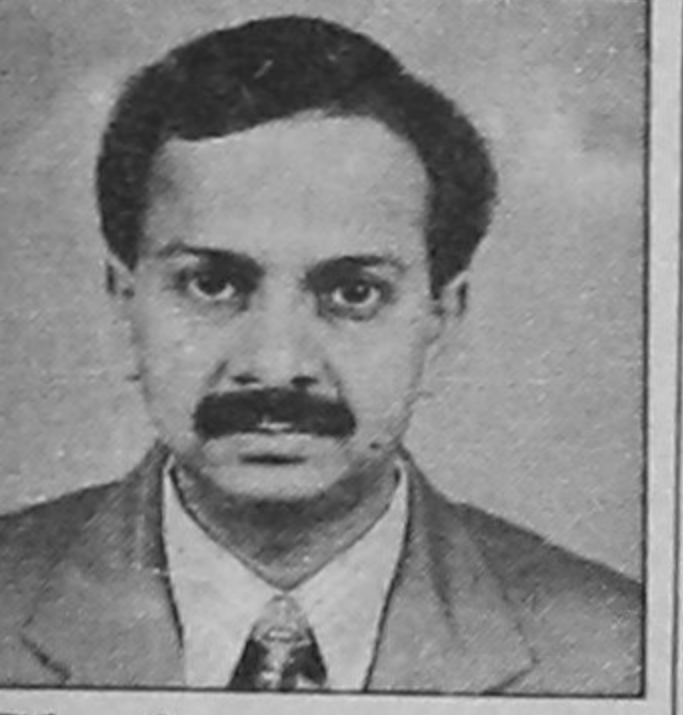
And the DAC members said that while they were committed

to focussing on the most efficient use of aid to achieve poverty reduction, this would only be possible if they could build viable partnerships with the developing countries. They could help developing countries with capacity building to make the best use of aid, but not if they were embroiled in conflict, the DAC statement said.

It expressed "deep preoccupation and concern" at the renewed outbreak of hostilities between Ethiopia and Eritrea, urging the two sides to "end hostilities and resume the search for a peaceful solution to their differences."

The DAC members also met with K Y Amoako, executive secretary of the UN economic commission for Africa after the DAC meeting to discuss ways of improving cooperation and coordinating aid efforts for Africa.

The DAC groups 23 of the 29 members of the organisation for Economic Cooperation and Development. The remaining OECD members are invited to take part as observers.



Shefaque made MD of Pragati Life Insurance

M Shefaque Ahmed has joined newly-established Pragati Life Insurance Limited as its Managing Director and Actuary. He is also a sponsor of the Company, says a press release.

M Shefaque Ahmed is the only Fellow of the Society of Actuaries (FSA) in Bangladesh and a Member of American Academy of Actuaries (MAAA).

He worked at Delta Life Insurance Company (DLIC) as an Actuary and Project Director of Gono and Gramen Bima Prokhalpa. He has also taken overall responsibilities of Group Insurance Department and Health Insurance at DLIC.

After achieving Master's Degree in Mathematics from Dhaka University in 1984, he went to the USA to study Actuarial Science at the University of Connecticut. In 1992, he completed Fellowship Examination under the Society of Actuaries (SOA) and became the first Bangladeshi fellow of the SOA.

He worked for 13 years in four top ranking Insurance Companies in the USA - Aetna Life and Casualty, Mass Mutual Life Insurance, National Life Insurance Company and Commercial Union Insurance Company.

Commodity: Weekly Roundup

Oil keeps on rising as dealers see supply as scanty

LONDON, May 13: Oil prices continued to rise as dealers predicted that the production increase since April may not be enough to meet burgeoning demand around the world, reports AFP.

Brent North Sea crude on the International Petroleum Exchange (IPE) for July delivery rose to 27.85 dollars a barrel from 25.12 dollars.

In New York light sweet crude for June delivery rose to 29.11 dollars a barrel from 26.98 dollars.

Prices have not been this high since March, before OPEC and other producers decided to increase production to cool overheating markets.

Prices rose after Saudi Arabia, Mexico and Venezuela issued a statement saying that it would not be necessary to increase production next

month.

The International Energy Agency reported that global oil output rose by 700,000 barrels per day in April to 76.3 million barrels per day after the decision by OPEC to open up its taps.

Earlier this week, the American Petroleum Institute reported that US crude stocks rose to 304.14 million barrels in the week to May 5 from 300.01 million barrels the previous week.

In contrast, petrol stocks fell to 201.61 million barrels from 202.46 million barrels as the US "driving season" got under way.

Strike action in Norway, the world's second-biggest exporter after Saudi Arabia, came to an end, easing fears of disruption to exports.

RUBBER: Bounce. Rubber prices had a bounce from strong

demand.

The London rubber index rose by five pounds to 505 pounds per tonne.

COCOA: Hotter. Cocoa prices drew strength from the weakening of the British pound on the foreign exchange markets, as dealers snapped up contracts denominated in sterling.

In London, July contracts rose to 614 pounds from 594 pounds a tonne.

But the price rise was capped by the continued strength of supply, notably from Cote d'Ivoire.

COFFEE: Brewing. Coffee prices edged higher in thin trade ahead of a meeting of the Association of Coffee Producing Countries to consider a supply-reduction programme.

In London, Robusta (for July delivery) rose to 938 dollars a tonne from 934 dollars.

In New York, Arabica (for July) slipped to 98.70 cents a pound from 99.95 cents.

Last week, the ACPC postponed from May 8 to May 19 its London meeting that is to consider restraining Robusta and Arabica production beginning June 1.

Dealers expressed their scepticism that a large number of producers would reach agreement on curbing supplies.

The ACPC brings together 14 coffee producing countries whose exports represent some 75 per cent of the world's total.

SUGAR: Sweet. Sugar prices rose slightly higher in spite of the global production surplus.

In London, October contracts rose to 196.9 dollars a tonne from 196.1 dollars.

In New York, white sugar for July delivery rose to 6.83 cents a pound from 6.53 cents.

VEGETABLE OILS: Stable.

US soy prices were broadly stable as dealers continued to pay close attention to weather conditions in US growing regions.

On the Chicago Board of Trade (CBOT), a bushel of soy slipped to 5.59 dollars (for May delivery) from 5.61 dollars.

Plantations in the US Midwest have been deprived of water during a dry winter. Analysts said that recent rainfall may be insufficient to quench the soil if further rains do not fall soon.

GRAINS: Rise. US wheat prices continued to rise as dealers predicted that recent rainfall on Midwest growing regions would not be enough to make up for earlier dry weather.

A bushel of wheat (of 27.2 kg for May delivery) on the Chicago market rose to 272.50 cents from 265.50 cents.

A bushel of maize (of 25.4 kg for May) meanwhile fell to 237.75 cents from 242.25 cents.

In London, a tonne of wheat rose to 70.75 pounds (for May) from 70.35 pounds.

US weather casters predicted that hot, dry weather might return to growing regions there.

COTTON: Strong. Cotton prices gained from strong demand.

Cash prices covered by the Cotton Outlook index rose to 59.70 cents a pound from 59.50 cents.

WOOL: Hot. Australian wool prices continued to build on the two and a half year high seen last week, amid plentiful demand.

The Eastern index gained three Australian cents to 744 cents per kilo.

In Britain the Woottops index rose by 14 pence to 310 pence.

Implementation of 'Mayakanan' under way

The implementation of Eastern Housing Limited's latest satellite town project 'Mayakanan' is under way, says a press release.

All arrangements for sales of plots at Mayakanan are made. Special down payment reduction sales programme for the period of May 14 to June 27, 2000 has already been announced.

The programme offers opportunity to interested buyers to purchase plots at Mayakanan including Eastern Housing's other projects at less than actual price subject to instant full payment for chosen plots.

Mayakanan is close to Amin Bazar Bridge, six miles away from Jatiba Sangsad Bhaban.

The special sales programme also covers three other projects of Eastern Housing Limited Aftabnagar at Rampura, Mirpur Botanical Garden, and Savar Project.