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DBH approves 7.5 pc dividend

Delta Brac Housing Finance Corporation Ltd (DBH), the first private sector housing finance company in the country held its Annual General Meeting (AGM) and Board Meeting in the city recently, says a press release.

The meeting approved the accounts of the company for the year ended June 30, 2000 and declared 7.5 per cent dividend on its share capital base of Tk 20 crore.

The company has sanctioned housing loans worth Tk 132 crore to more than 1400 clients on a cumulative basis up to June 30, 2000.

The Chairman of DBH, Faruq A Choudhury, presided over the meeting. Directors of the company representing the respective domestic and international shareholders, Dr Syed Mukarram Ali, Nasir A Choudhury, Azam J Chowdhury, Eric Cruikshank (IFC) and KO Chacko (HDFC) together with QM Shariful Ala, Managing Director, were also present in the meeting.

Novartis declares 15 pc cash dividend

The 27th Annual General Meeting of Novartis (Bangladesh) Limited was held at a local hotel, September 5, says a press release.

The meeting was presided over by Chairman of the Company and Chairman of Bangladesh Chemical Industries Corporation (BCIC) M. Anwarul Hoque and was also attended by Gerhard G. Doege, Managing Director, and Directors MA Samad, ABM Shamsuddin, Sarwar Ahmed, Sayem ul Haq, and M Shafiqul Alam.

The company declared 15 per cent cash dividend to its shareholders for the year ended December 31, 1999 being Tk. 39.8 million as dividend on its paid up capital of Tk. 265.15 million.

Novartis International AG holds 60 per cent paid up capital and the remaining 40 per cent is owned by BCIC. It was disclosed in the meeting that despite adverse market situation in 1999, sales increased to Tk. 1340 million from Tk. 1262 million of the previous year.

National savings scheme deposit crosses target

A total of Tk 5657.57 crore was deposited under the national savings schemes of the government against the annual target of Tk 4866.30 crore in 1999-2000. National Savings Directorate sources said yesterday, reports BSS.

Savings deposits of the last fiscal was Tk 791.27 crore higher than the target and Tk 1182.02 crore more than that of 1998-99.

Of the total savings deposits of the last fiscal, Tk 1841.70 crore was in Defence Savings Certificate, Tk 328.10 crore in five-year Bangladesh Savings Certificate, Tk 347.85 crore in Family Savings Certificate Tk. 1505.42 crore in 3-month basis profit savings certificate, Tk 195.42 crore six-month basis profit savings certificate, Tk 0.59 crore security savings certificate, Tk 293.46 crore in Post Office Savings Bank (general account), Tk 667.92 crore in Post Office Savings Bank (fixed account) Tk 44.09 crore in prize bond Tk 209.22 crore in 3-year term National Investment Bond, Tk 205.68 crore in Wage Earners Development Bond and Tk 18.12 crore in Postal Life Insurance.

Bumper production, smuggling turn potato producers' bane

Storage owners lose Tk 170 a 80kg sack due to poor price

By M Shamsur Rahman

Bumper production in the country and smuggling from India have dampened potato prices and has seriously threatened local producers and cold storage owners.

Currently, some 297 cold storages in the country are staffed with 13 lakh MT of potato but they can hardly sell their stocks, as illegal cheap imports from India have flooded the local market.

The cold storage owners now claim that they are faced with a loss of Tk 170 per 80-kg sack due to low price.

"We bought potato at Tk 500 a 80-kg sack and had to fork out another Tk 150 for running our chillers, which pushed our total costs to Tk 650. But we are now forced to sell the same at Tk 480 a kg," said Sheikh Nurul Alam, Vice-chairman of the Bangladesh Cold Storage Association.

The 12 cold storages under the BADC preserve a total of 13,000 MT of potato while the ones in the private sector play a crucial role in storing seeds for the next season.

This year's potato production was 30 lakh MT, of which 13 lakh tonnes has been preserved, the association leader said.

High price

When the storing season starts, the cold storage owners have to procure potato at a very high rate because of the existing unholy competition among them.

A store with a capacity of 10,000 MT requires to house as many as 5,000 sacks a day during the harvesting season and then sell 2,000 sacks a day during the off-season period.

"So, when the buying time comes, we discover ourselves in a rat race," Alam said, adding "Now when the price has plummeted, we are at a loss."

Smuggling takes toll

Potato is grown on over 3.30 acres of land during the *rabi* season and the annual average production is about 23 lack MT against an annual demand of around 21 lakh MT.

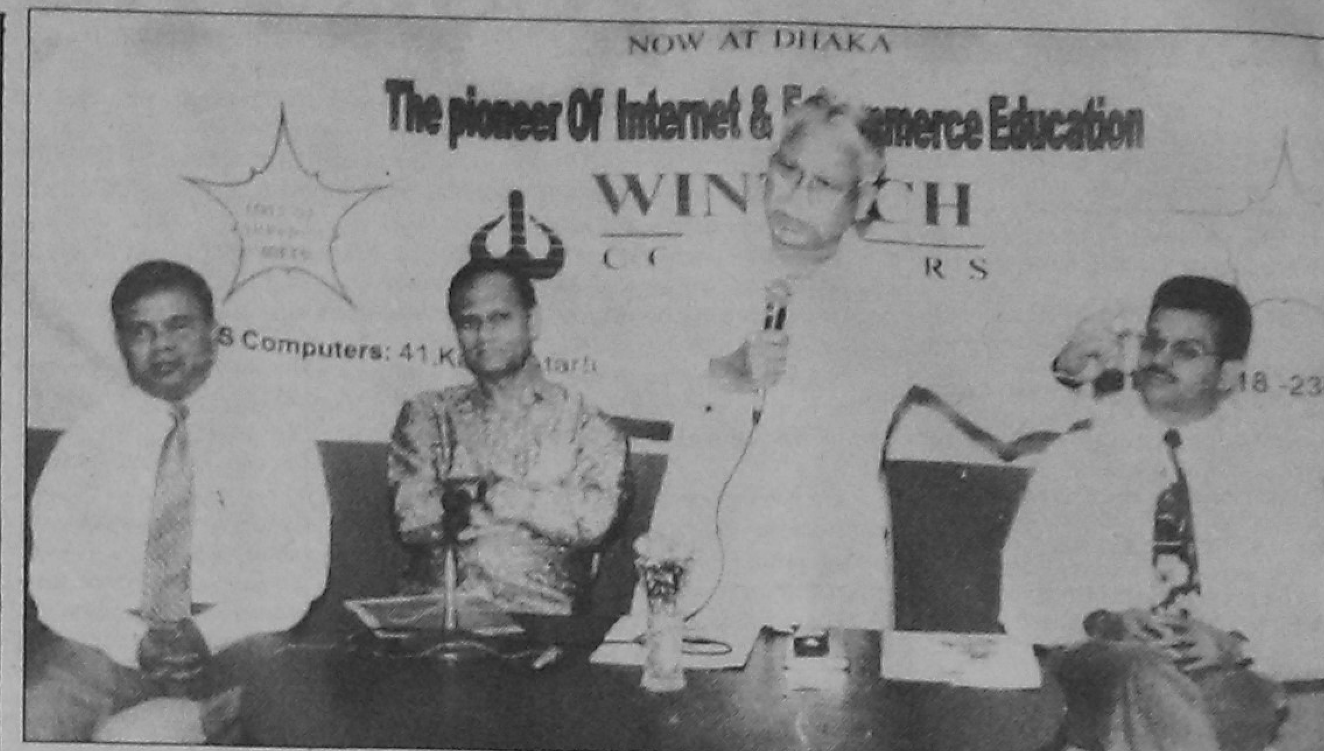
But despite the surplus, potato continues to raid the country from across the borders.

"The smugglers use 'helicopters' - bicycles that carry potato from India to Bangladesh. Every bicycle can carry as many as three 4-kg sacks each," said AKM Fazlul Haque, Managing Director of Haque Cold Storage Ltd.

Over-saturated market

Currently, the country has 297 cold storages with a storing capacity of 14 lakh tonnes. Storage owners say there is a situation of over-capacity in the industry, as only one third of the annual potato production is supposed to be preserved.

Due to this, potato prices go up during the procurement period, but the same crash during the selling period.



Major General KM Safiullah (Retd) MP speaks at the inaugural ceremony of Wintech Computer Centre on SAS Computers premises in the city yesterday. Colonel Mohd. Abdus Salam (Retd) (L), Managing Director of SAS Computers, Major General Moinul Hussain Choudhury (Retd) (2nd-L), a former Ambassador, and Country Manager of Wintech International, were also present. — Star photo

Heated oil price, labour standard to dominate APEC meet

Ministers gather in Brunei today

BANDAR SERI BEGAWAN, Sept 6: Touchy issues such as high oil prices and international labour standards will likely dominate discussions when finance ministry and central bank leaders from Pacific Rim nations meet in Brunei beginning Thursday, reports AP.

The meeting is a prelude to a November summit by heads of the 21 member countries and territories of the Asia-Pacific Economic Cooperation forum in the Southeast Asian sultanate of Brunei, on northern Borneo Island.

Thailand says it has support from other APEC members to lobby the group to help check oil prices, which have nearly tripled in two years.

APEC finance ministers, who meet Saturday and Sunday following two days of talks by their deputies, are expected to issue a statement Sunday, around the time when a production quota meeting of the Organisation of Petroleum Exporting Countries kicks off in Vienna.

"I hope it will give a signal before OPEC" said Savit Bhotiwhihok, an aide in the Thai prime minister's office.

Analysts say that APEC members, which comprise the largest economies bordering the Pacific Ocean, including the United States and Japan, have vastly differing interests when it comes to oil prices.

"There are four significant oil exporter – Indonesia, Brunei, Malaysia, and Mexico—who are members of APEC," said PK Basu, Singapore-based regional economist for Credit Suisse First Boston.

"But in general, everybody else in APEC is an importer of oil. Oil prices would then make for a very interesting discussion," Basu said.

"It's difficult to foresee a common viewpoint emerging from the APEC meetings on oil prices," Basu said.

Oil importers Thailand, the United States, the Philippines and South Korea would likely be among APEC members seeking to curb oil costs, Basu said.

The delicate issue of linking international trade with labour standards in also expected to emerge at the Brunei talks.

Indonesia and Malaysia are among APEC's strongest opponents of linking tariff reductions to better trade standards, while the United States is a proponent.

Demands for reforms of the world's financial structure, sparked by Asia's devastating economic crisis of 1997 and 1998, will also be a topic at this week's meetings.

New Zealand, the co-chair of the meeting, is putting forth a major policy initiative for APEC to create a voluntary action plan for freer and more stable capital flows.

"APEC responded to the Asian Crisis by intensifying work to strengthen the international financial architecture," New Zealand Finance Minister Michael Cullen said in a statement released Wednesday.

"Standards, codes and guidelines are being developed in a variety of areas, including: banking supervision, securities insurance regulation, the dissemination of economic data and the transparency of monetary, financial and fiscal policies," Cullen said.

India govt gives up monopoly in basic telephony

NEW DELHI, Sept 6: India's government gave up its monopoly in basic telephony Tuesday, widening the privatisation of phone services and leaving only international calls under its control, news reports said.

Communications Minister Ram Vilas Paswan said the federal government had accepted the recommendations of the independent Telecom Regulatory Authority of India to allow private companies to compete in providing basic telephone services, United News of India reported, says AP.

There is also increasing pressure to open overseas telephone services to competition and bring them in line with international rates. Overseas phone calls from India are very expensive.

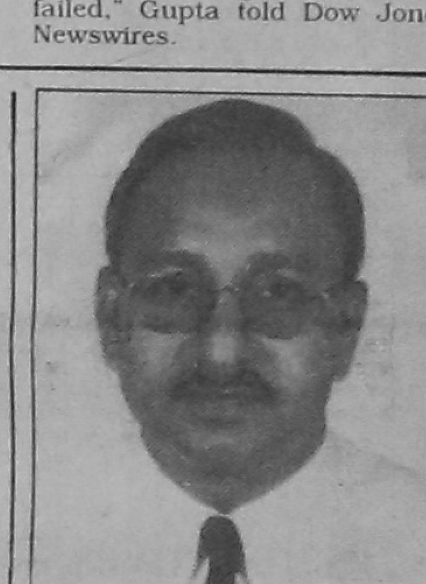
India began opening up the telecommunications sector to private service providers in 1994, ending a 50-year state monopoly. Mobile telephone services have been privatised and the government has declared it would also let private companies provide domestic long distance services.

The government has promised to overhaul its telecommunications department that provides telephone services, replacing it with a corporate structure by 2001.

Three major telecommunications unions announced they would begin an indefinite strike Wednesday to protest the decision to convert the department into a company from Oct. 1, said OP Gupta, secretary-general of the National Federation of Telecom Employees.

"We are going on an indefinite strike as planned, as the talks with the government has failed," Gupta told Dow Jones Newswires.

Yoshiji Nakajima, Atsuo Miyazaki of a Japanese delegation and Tulu Kalimullah and Monsur-ul-Hakim of TechnoForte Systems Ltd are seen at a business projection meeting held in the city yesterday. — TechnoForte photo



New executive director of Tack Training

Gofran Farooque, former Senior Director and Chief Administration Officer of American Express Bank, Bangladesh, has joined Tack Training International, Bangladesh, as its Executive Director, says a press release.

During his 19 years with the American Express Bank, Gofran was responsible for the bank's operation and administration in Bangladesh. He also headed Operation and Systems, Financial Administration, Human Resources and Legal Counsel and formalised the bank's HR division.

Gofran has already attended a number of Tack Training programmes, UK, to become a certified TACK trainer. He will now be involved in managing and conducting various Tack training programmes in Bangladesh.

A widely-travelled person, Gofran also attended various training programmes, meetings and conferences.

P K Roy, FCA, Managing Director of Rupali Insurance Company Limited, hands over a cheque for Tk 4,51,648 to Md Shahidul Islam, Vice President of Prime Bank's Elephant Road Branch, for the settlement of a marine cargo claim of Ruapli Insurance Company Limited, Bangabandhu Avenue Branch, recently. Managing Director of M/s Integra Communication Ltd Md Faruq, Advisor Arif Khan, Deputy Managing Director (Senior) GFM Shawkat Ali and General Manager Md Shamim Khan were also present on the occasion. — Rupali Ins photo

Japanese team visits office of TechnoForte

A high-ranking Japanese business delegation visited the office of TechnoForte Systems Ltd and held a meeting on prospect of Japanese investment in the IT sector of Bangladesh at the company office in the city yesterday, says a press release.

The delegation members were Yoshiji Nakajima, Chairman of Centre of the International Cooperation for Computerisation (CICC) and General Manager of Hitachi Information Academy Co Ltd, and Atsuo Miyazaki, General Manager, Computer Education Division of CICC, Japan.

Tulu Kalimullah, Managing Director, and Monsur-ul-Hakim, Chief-Coordinator of TechnoForte Systems Ltd, apprised the delegation of the products and services of the company as well as the prospect of IT sector of the country.

At the meeting, they in principle agreed to establish a joint-venture project in Bangladesh.

Exchange Rates

Following is yesterday's forex trading statement by **Standard Chartered Bank**
Central Bank buying and selling rate of USD: BDT 53.85/BDT 54.15

Selling		Currency		Buying	
TT/OD	BC		TT Clean	OD Sight Doc	OD Transfer
54.2500	54.2800	USD	53.8150	53.6464	53.5779
48.6628	48.7497	EUR	46.8811	46.6977	46.6211
79.5215	79.5635	GBP	77.7166	77.4501	77.3955
31.8135	31.8380	AUD	28.8052	28.7127	28.6326
0.5204	0.5206	JPY	0.5015	0.5013	0.5003
31.2291	31.2536	CHF	30.5367	30.4422	30.3577
5.7499	5.7551	SEK	5.6518	5.6342	5.6182
37.0239	37.0484	CAD	36.1362	36.0426	35.9594
6.9916	6.9929	HKD	6.8681	6.8504	6.8330
31.914	31.9356	SGD	30.7475	30.7037	30.5891
14.8919	14.9095	AED	14.5023	14.5242	14.4838
14.5795	14.5979	SAR	14.2399	14.2032	14.1850

Usance Export Bills

TT DOC	30 Days	60 Days	90 Days	120 Days	180 Days
53.7041	53.3727	52.9304	52.4217	51.8688	50.6303

Exchange rates of some Asian currencies against US dollar

Indian Rupee	Pak Rupee	Thai Baht	Mal. Ringgit	Indo. Rupiah	NZ Dollar
45.70/45.80	54.65/54.80	41.21/41.24	3.7998/3.8003	8320/8340	0.4263/0.4270

Demand for dollar was moderate as the local foreign exchange market remains dull. Major market players were long in dollars. Money market was stable and the call rate ranged between 5.25 and 5.75 per cent.

Devaluation adversely affects industry: MCCI

Star Business Report

The Metropolitan Chamber of Commerce and Industry (MCCI) has said that devaluation has adversely affected the country's over all balance of trade payments, increased the production cost of local industries and failed to provide the requisite price protection due to unethical imports of foreign products avoiding due taxes and tariffs.

"The bulk of the country's export products being insensitive to price changes, devaluation often became counter-productive," said the top chamber in its editorial write-up of the latest monthly bulletin.

In fact, devaluation aggravated the balance of payment problems and the local manufacturing activities fell prey to undue competition from imported products arising from under-invoicing and non-payment of due import duties, it said.

Import dependent export oriented industries will also suffer, because devaluation by raising the cost of imported inputs will render their products more non-competitive in the world market.

Citing examples, MCCI said the export growth went above 20 per cent when the currency adjustment was one per cent or below. When taka was devalued by as much as three per cent, export growth came down to less than 5 per cent.

The volume of investment and availability of imports needed for improving capacity utilisation, are really the major determinants of a country's export growth.

The MCCI said the recent six per cent devaluation has created mixed reactions. The exporter section of the business community has welcomed the government decision. But many others including economists, bankers and financial analysts have expressed doubts about the likely benefit of the devaluation. From the government, the devaluation has been defended with the statement that it was necessary to preserve the competitiveness of the country's exports in the face of the recent declines in the currency values of the neighbouring countries.

"We have carefully reviewed the government's statement justifying the devaluation and it should be stated that external stability of any currency is determined more by its internal stability and domestic fiscal and monetary policies which have important roles in maintaining currency value, than external factors," MCCI said. "Quite often, the value of a currency is raised by restrained monetary and fiscal policies, market imperfections, structural rigidities, etc which go to restrain productivity. We strongly feel that 'getting the prices right' through devaluation in such circumstances will continue to be of little help unless fiscal and monetary regimes are made more supportive to exports, infrastructural bottlenecks are removed and business conditions are made more conducive."

This is borne out by both empirical studies and economic theory which also point out that devaluation may worsen a country's external competitiveness. For example, between 1991 and 1993, Mexico ranked 7th in the World Economic Forum's list of competitiveness amongst 48 countries, but its ranking fell to 44th after the 1994 devaluation.

"In our country too, soon after liberation, two massive devaluation took place - the first by 41 per cent in 1972 and the second by 51 per cent in 1975. Thereafter, in the era of flexible exchange rate, which began from mid 1979, devaluation has been consistently resorted to, as part of the stabilisation package. Between July, 1996 and August this year, taka has been depreciated as many as 17 times, though in small doses, resulting in an over-all devaluation of 29.3 per cent (from Tk 41.75 to Tk 54.00 per US dollar), but these yielded very little improvement to our export competitiveness."

"The issue of improved competitiveness through currency depreciation was settled over 50 years ago (1947) by Prof. Joan Robinson who referred to competitive devaluation as a "beggar my neighbour" policy that must be unsuccessful in improving economic welfare. She established that devaluation as a "beggar my neighbour" policy that must be unsuccessful in improving economic welfare. She established that devaluations reduced demands for imports from other economies, depressing their aggregate demand and prompting retaliation in the form of competitive devaluation, reducing the over-all demand globally as well as in each country attempting to devalue. In such cases, the devaluation will be of least effect in yielding the desired result on competitiveness," said MCCI.

Citing an empirical study, the chamber said the export growth went above 20 per cent when devaluation was one per cent or below. When taka was devalued by as much as three per cent, export growth came down to less than 5 per cent.

On the other hand, devaluation adversely affected the country's over-all balance of trade payments, increased the production cost of local industries and failed to provide due requisite price protection due to unethical imports of foreign products. The adverse trade balance, adjusted to terms of trade, which showed sings of improvement during 1995-98, suffered a deteriorating trend during 1998-2000. The trade balance deficit which declined by 1.2 percentage points in 1997-98, increased by 0.7 percentage point in 1998-99 and 0.6 percentage point in 1999-2000, reaching five per cent of the GDP in 1999-2000.

The Chamber's position is also in line with the findings of several other empirical studies which found no clear and systematic correlation between devaluation and export performance of developing countries. According to these studies, the volume of investment and availability of imports needed for improving capacity utilisation, are really the major determinants of a country's export growth.

The inadvisability of devaluation becomes evident on pragmatic considerations, too. Firstly, devaluation will inevitably generate inflationary pressure, which by raising the real cost of imported capital, will reduce incentives to invest and produce domestic output. The consequence is reduced economic growth.

Secondly, devaluation will increase the country's debt service obligations and worsen the payments deficits further, MCCI said. Firms with foreign currency denominated loans will suffer because of enhanced loan liabilities in terms of local currency.

Thirdly, it should not be forgotten that Bangladesh is a country with a high ratio of import to GDP (18 per cent as of now). About 65 per cent of these imports are in the form of intermediate inputs, raw materials, and plants and machinery, which cannot be produced domestically, but which are essential to the country's production processes, and on which both import-substituting and export-oriented industries of the country are extremely dependent. Devaluation will make these imports costlier, worsen capacity utilization and productivity, reduce employment and thus adversely affect output and economic growth.

Fourthly, import-dependent export-oriented industries will also suffer, because devaluation by raising the cost of imported inputs will render their products more uncompetitive in the world market, MCCI said.

Fifthly, as mentioned earlier, Bangladesh's exports are largely insensitive to price changes, and hence export earnings are unlikely to rise to any appreciable extent in response to devaluation. On the contrary, by under-pricing exports and raising import prices, devaluation will benefit the trading partners at the expense of the domestic industry and the consumers. Terms of trade will worsen, leading to a diminution in real income and welfare.

If, devaluation, thus, does not improve the trade balance, and, on top of generating inflationary pressure, creates perverse results like reducing employment and worsening capacity utilization, then the policy of currency depreciation loses its rationale. Other mechanisms as mentioned earlier can be helpful for raising export competitiveness and sustained expansion of the country's exports.

It is therefore desirable that the government first gives a close look at the most proximate determinants of Bangladesh's exports, identify the major impediments, and then formulate export supportive measures accordingly. This will help avoid taking recourse to a generally unpopular measure like devaluation to raise the external competitiveness of exports, the chamber suggested.

It maintains that the preconditions for successful export promotion are productivity and superior product quality, availability of sound physical, social and economic infrastructures, adequate institutional facilities for banking, credit and insurance, congenial labour-management relations, improved law and order, an efficient administration, and above all, political stability. Devaluation cannot satisfy any of these preconditions. Unless these necessary conditions are met, "getting the prices right" through devaluation will hardly be of any avail for export promotion, MCCI said.