The Daily Star
BUSINESS

DHAKA, SUNDAY, OCTOBER 29, 2000

Japan holds on to position as world's top aid donor

TOKYO, Oct 28: Japan held on to its position as the world's biggest donor in 19991, largely because of aid given to victims of the Asian financial crisis, says Reuters.

Figures released by Japan's Foreign Ministry yesterday showed that overseas development assistance (ODA) surged in 1999 by 43.4 per cent over the previous year to $15.4 billion, making it the world's biggest ODA donor for the ninth consecutive year.

This increase was due partly to Japan's donation of $3.3 billion to Asian nations to help them recover from the financial crisis of 1997-1998, a ministry official said.

The yen's strengthening against the dollar also contributed to the rise in ODA value when expressed in dollar terms.

However, the overall flow of cash to developing nations, which includes investment by private firms, dipped by 3.5 per cent to $22.5 billion.

"This also was the result of the Asian financial crisis, because many companies and organisations sharply cut their involvement in Asia at that time," the official said.

"There was also less government lending aimed at Asian businesses."

Japan's reign as the world's greatest ODA donor is due to its decades of reliance on chequebook diplomacy, but the country is now reviewing its aid policy with an eye to greater efficiency.

Just one example of this diplomacy is Japan's aid stance towards its giant neighbour China, to which it has given more than tow billion yen over two decades.

Some politicians, however, have recently expressed growing concern that Japanese money helps Beijing boost its military strength, prompting a review of Chinese ODA and requests that it be less secretive about military spending.

Japanese ire over Chinese naval incursion into waters Tokyo considers its own prompted the Liberal Democratic Party (LDP), which dominates the current ruling coalition, to delay approval of 17.2 billion yen in special yen loans to Beijing.

The party finally gave approval earlier this month after China agreed to work out a mutual notification system for its maritime research activities in Japan's 200-mile exclusive economic zone.

'NZ economy vulnerable to shocks'

WASHINGTON, Oct 28: New Zealand has adjusted well to the shock of Asia's financial crisis of 1997-99 but a large external deficit leaves it vulnerable to speculative attacks, the International Monetary Fund said yesterday, reports Reuters.

In a statement released after its annual review of New Zealand's economy, the Washington-based international lender also said the government should focus on raising the national savings rate and improve the economy's competitiveness to boost its defences against possible investor runs.

"The country continues to be well placed to absorb shocks without undue economic or financial distress, as evidenced by the experience of adjustment to shocks over the past few years," the IMF said.

"However, the large external imbalances imply that New Zealand remains vulnerable to sharp changes in investor sentiment," it added.

Rapid import growth should help boost the country's external deficit to about six per cent of output this year.

Kenyan coffee exports fall

NAIROBI, Oct 28: Kenya's coffee exports decreased by 5.4 per cent in volume and 20.4 per cent in value in the year from October 1999 to September 2000, the Eastern African Standard reported Friday, says Xinhua.

Kenya exported 62,142 tons of coffee at a value of 117.9 million US dollars during 1999-2000, while it exported 65,688 tons of coffee valued at 148.2 million dollars in the previous 12-month period, according to the Coffee Board of Kenya.

However, the board said, during the 1999-2000 period, Kenya's coffee production reached 100,000 tons, an increase of 43 per cent over the previous period.

According to the board, Germany, the country's leading coffee buyer, bought 20,824 tons valued at 41.7 million dollars. Other major buyers include Holland, Belgium, Sweden and the United States.

Coffee is one of Kenya's leading foreign exchange earners, and others are tea, tourism and horticultural products.

A look into *hundi* business-Part-III

Money changers fail to contribute to forex flow

Many firms are involved in *hundi* business

By Monjur Mahmud

When the government allowed money changers four years ago, the idea was that it would facilitate inflow of foreign currency.

Today, it appears that many of the money changers are involved in illegal *hundi* business and they did not help official remittance flow.

According to sources, these money changers are not following the Bangladesh Bank rules and their current activities tantamount to kerb market operation.

As per rules, money changers are supposed to buy foreign exchange from incoming non-resident Bangladeshis (NRBs) by following proper documentation. They are supposed to issue encashment and endorsement certificates to customers and submit fortnightly performance reports to the central bank.

"But the activities of the money changing firms are not being properly monitored," admitted the proprietor of a money changing firm, preferring anonymity.

As the non-resident Bangladeshis (NRBs) are offered higher rates by the *hundi* traders, the money changers are unable to buy foreign exchange at official rates," he said. "We have no option but to follow the open market rates to compete with the *hundi* traders."

On the other hand, the money changers in a meeting with the central bank governor on October 22 proposed reintroduction of auction sale of foreign currency to check *hundi* business.

"If the government wants to stop *hundi*, the auction system should be reintroduced to encourage legal inflow of foreign currency," Kefayet Ullah Masud, President of Bangladesh Money Changers Association (BMCA), told The Daily Star.

Till June 1984, all banks would report their foreign currency position on a daily basis to an auction committee consisting of NCB representatives. This auction committee would sell the foreign exchange in an open auction and private importers would buy their necessary fund for opening LCs. Such open market system would offer competitive rates to wage earners.

The government later stopped the system and introduced official rates, which encouraged *hundi* transaction.

Devaluation alone would not help increase official remittance flow as *hundi* traders always offer higher rates, bankers say.

In addition to allowing the auction system, the money changers are now demanding permission to receive wage earners' remittance.

The Bangladesh Bank issued licenses to 16 money changers in June, 1996 in the first phase. But later, a huge number of money changers applied for licence and a total of 612 firms got permissions. The central bank however cancelled licenses of around 75 companies recently as some of them did not either start businesses or maintain proper addresses.

Some officials of the foreign branches of the Nationalised Commercial Banks (NCBs) are also patronising *hundi* business, the BMCA president alleged. There are also groups working inside the NCB foreign exchange branches within the country running *hundi* business, bankers said.

Citing an example, one banker said Sonali, Janata and Agrani banks transferred all of, then 50 employees of ZIA branches in August this year in 24 hours' notice following an order from the finance ministry.

Former Olympic swimming champion, Muriel Hermine of France, poses in a chocolate-filled dress as she takes part in the sixth chocolate exhibition in Paris Friday. – AFP photo

Toshiba, Sanyo earnings quadruple

TOKYO, Oct 28: Toshiba Corp. returned into the black and Sanyo Electric Co. saw its earnings quadruple in the first half of the fiscal year as economic recovery at home and abroad boosted sales for the Japanese electronics makers, says AP.

Toshiba, which reported a loss of 48.46 billion yen ($447 million) for the April-September period last year, posted profits of 53.90 billion yen ($497 million) on strong demand for semiconductors, personal computer equipment, mobile phones and liquid crystal products, the Tokyo company said Friday.

Sales climbed 7.8 per cent on year to 2.83 trillion yen ($26 billion).

Toshiba said the positive trend is expected to continue in Japan, where capital investment in technology is growing. But it expected bad news overseas because of rising oil prices and the decline of the euro.

For the fiscal year ending March 2001, Toshiba predicts earnings of 137 billion yen ($1.3 billion) and sales of 6.22 trillion yen ($57.4 billion).

Sanyo Electric Co also reported hefty earnings Friday. Sanyo profits for the first half ending in September climbed to 20.25 billion yen ($186.8 million), up from 3.61 billion yen ($33.3 million) for the same period the previous year.

Amy Sweeney (front, 3rd L), President of Disney/ABC Cable Networks, and Barry Rosenbloom (front, 4th L), President of Time Warner Cable, pound the gavel after ringing the closing bell at the New York Stock Exchange Friday. Time Warner Cable will offer The Disney Channel as part of its standard service, making it available to all Time Warner Cable customers in Manhattan, Brooklyn, Queens and Staten Island. – AFP photo

Volkswagen posts 50pc rise in 9-month earnings

FRANKFURT, Oct 28: Riding a booming US auto market and a wave of hot-selling exports, Volkswagen AG posted a nearly 50 per cent increase in adjusted net earnings Friday for the first nine months of the year, reports AP.

The German automaker said net profit for the January-September period rose 49 per cent to 2.24 billion marks ($940 million) from 1.5 billion marks a year ago, after stripping out one time charges and gains.

That beat analyst expectations of only a 23 per cent increase, and Volkswagen forecast record net profits for the year. VW didn't name a figure, but Deutsche Bank predicted it to ring up at 3 billion marks ($1.26 billion), up 81 per cent from last year's net earnings of 1.65 billion marks ($693 million).

"Exports benefited further from the low level of the euro and from the strength of world trade," Volkswagen said, adding that weakness in the German market was more than compensated for by high sales growth in North America and Asia.

US growth slows to its weakest pace in more than a year

Fed seen keeping rates on hold

WASHINGTON, Oct 28: US economic growth slowed sharply in the third quarter to its weakest pace in more than a year, reinforcing expectations among investors that the Federal Reserve will keep interest rates on hold in coming months, says Reuters.

The Commerce Department said gross domestic product, the broadest gauge of goods and services output in the economy, grew at a rate of 2.7 per cent in the July-September quarter – less than half the second quarter's 5.6 per cent rate.

The third-quarter GDP number was well below the 3.4 per cent rate of growth forecast by Wall Street economists. It was the slowest quarterly advance since a 2.5 per cent rate of growth in the second quarter of 1999.

The US Federal Reserve boosted interest rates six times from mid-1999 to May this year, aiming to curb growth and to keep inflation in check, and the impact of costlier credit is still working its way through the economy.

Commerce said companies scaled back on additions to inventories and sharply trimmed the rate of spending increases on new production equipment, implying they expect slower economic growth to continue. But despite the overall slowdown, consumers – who fuel the lion's share of national economic activity – speeded up their spending pace after a lull in the second quarter.

Comfort for Fed

"It certainly leaves (The Federal Reserve) very comfortable with what they have done so far," said economist Carol Stone of Nomura Securities in New York."

Financial markets responded positively to the report of weaker-than-expected growth, with bond prices jumping higher on hopes it meant the US central bank may be done raising borrowing costs. But bond prices later settled back as stocks rose, overshadowing the weak GDP report as funds shifted back into equities after wild swings in stock markets recently.

The Dow Jones industrial average was ahead about 0.3 per cent at mid-morning and the high tech-laden Nasdaq composite index was up about 1.7 per cent.

Some analysts were cautious about whether the slower GDP performance will last, or whether growth will bounce back enough to keep the Fed wary.

Ian Shepherdson, an economist with High Frequency Economics in Valhalla, NY, commented: "The key message here is that private sector growth was robust. The soft headline does no bring Fed easing closer."

A separate report by the Commerce Department, showing strong growth in orders for costly manufactured goods in September, underscored the solidity of both consumer and business demand amid a slowing economy.

The report said the value of new orders for durable goods – items like cars, airplanes and furniture – increased 1.8 per cent after a gain of 3.5 per cent in August.

The weaker GDP number relieved concerns the economy, now in a record 10th year of growth, would prove so hard to curb that it might require a prolonged series of Fed rate rises.

India's largest bank raises $1.25b

BOMBAY, Oct 28: The State Bank of India (SBI), the country's largest bank, has issued bonds worth about 1.25 billion dollars to overseas Indians, but the move has weakened the rupee against the dollar, analysts said Saturday, says AFP.

The government-run SBI began issuing the bonds, named India Millennium Deposits (IMDs), last Saturday for a month in a bid to raise cash for infrastructure projects, but has the option of closing the sale on Tuesday.

While the SBI sought to raise two billion dollars through the IMDs, the bank is likely to rake up close to five billion dollars, analysts say.

"They must have collected about 1.25 billion dollars as of Friday evening. I do not think they will close the scheme on Tuesday, they may decide to let it run for the full month," Shahrukh Wadia, head of treasury at the private Indusind Bank told AFP.

However, the SBI's gain has weighed down on the rupee, which on Friday fell to a record low of 46.74 to the dollar.

Wadia said the primary reason for the rupee's fall was the demand for dollars by overseas Indians buying the IMDs.

"Non-resident Indians are converting their domestic rupee bank deposits to dollars to take advantage of higher interest rates available under the IMDs," he said.

IMDs are five-year deposits denominated in dollars, pound sterling and euro. They carry annual interest rates of 8.5 percent, 7.85 percent and 6.85 percent respectively.

Interest is payable six-monthly or on a cumulative basis at maturity. Both principal and interest are fully repatriable, can be gifted to resident Indians and interest income is exempt from Indian income and wealth taxes.

Investors can withdraw money six months after investment without incurring any penalty.

Wadia at Indusind Bank said overseas Indians see IMDs as an excellent investment opportunity.

"Dollar deposits under the IMDs will attract 8.5 percent interest. The rupee is expected to depreciate between five and seven percent a year.

"Put together this works out to a net interest gain of about 14 percent, as against the 11 percent annual interest NRIs (non resident Indians) now get on their rupee deposits."

The IMDs can be held jointly by overseas as well as resident Indians and analysts said this is being used to legitimise the large hoards of unaccounted money with rich resident Indians.

Weekly ReadyCash Prize Winners

The latest draw of the fortunate prize winners was held on last Thursday at the Gulshan-1 G-MART super market. Al-Haj Lutfur Rahman, Managing Director of the market, announced of the lucky prize winners.

Prizes for new card holders

Prizes	Winners	Card No
Hertz Rent-a-Car	Md Enamul Ahmad	5666
FedEx free shipment	Anwar Hossain Khokan	5596
Lunch for two at China Junction Restaurant	Jiban Karmaker	5626
Lunch for four at Jolly Vee fast food	AKM Shariful Islam	5609

New ReadyCash cardholders will become eligible for prizes as soon as they make their first transaction. The winners are requested to collect their prizes from the Public Relations Manager of ReadyCash within 30 days of publishing the winners' list by producing their ReadyCash card transaction vouchers. For details, one may contact at 8125294-7.

ReadyCash encourages its cardholders to read The Daily Star on every Sunday for new listing of prize winners.

Weekly Metal

Gold hits lowest in 13 years on strong dollar

LONON, Oct 28: Gold prices fell to their lowest levels in 13 years Friday at around 266 dollars an ounce amid a continued strengthening of the dollar against other leading currencies, says AFP.

Base metals fell across the board because the market was concerned that a slowdown in the US economy could impact negatively on demand.

Commodity: Weekly Roundup

Prices of sugar, soya, coffee decline

LONDON, Oct 28 : Oil prices rebounded this week amid fresh concern that Iraq might halt oil exports coupled with figures showing a weaker-than-expected rise in US crude stocks, says AFP.

Benchmark Brent North Sea crude oil for delivery in November was selling for 31.88 dollars a barrel in London by Friday afternoon, up from 30.90 dollars last week.

In New York, November light sweet crude was selling for 33.71 dollars a barrel, against 30.90 dollars the previous week.

Concerns that Iraq might stop pumping oil mounted this week after Baghdad said it would enforce an embargo if the United Nations rejected its request to be paid in euros for its oil.

Iraq pumps more than two million barrels of crude a day, an important volume for a thirsty market facing increased demand over the winter.

Mildly bullish figures released Tuesday by the American Petroleum Institute (API) showed that US crude inventories rose last week by almost 1.7 million barrels to 282.4 million barrels.

Cocoa: Cooler. The price of cocoa fell sharply here this week as concerns eased that a electoral dispute between Ivory Coast military ruler Robert Guei and socialist politician Laurent Gbagbo would result in major disruption to exports.

On the LIFFE financial futures exchange, the price of a tonne of cocoa for March delivery was quoted at 612 pounds on Thursday from 646 pounds a week earlier.

Prices remained volatile through the week as a popular rising against Guei gathered momentum, following the military strongman's decision to declare himself president after dissolving the electoral commission counting votes from Sunday's election.

But as support for Guei appeared to wane and Gbagbo stepped in to declare himself president, prices started to ease.

Coffee: Mugged. The price of coffee slumped this week after Vietnam said it expects its harvest to reach a record high this year.

On LIFFE, robusta quality for November delivery fell to 710 dollars per tonne on Thursday from 755 dollar a week earlier.

On the CSCE, the New York futures market, the price of arabica for March delivery closed on Thursday at 80.10 cents a pound from 91.40 cents last week."

Sugar: Beat. Sugar prices came down with a bump this week as a selling Frenzy griped the market after Russian purchases dried up and fears persisted that supply will outstrip demand.

On the London market, March contracts tumbled to 242.8 dollars a tonne from 266.6 dollars last week.

In new York, a pound of white sugar (for March delivery) slumped to 9.36 cents from 10.86 cents the previous week.

"There was a fierce day of selling by the funds on Thursday," said Christopher Pack, analyst at Czarnikow trading house. "The factors that held the market higher are no longer there, the Russian buying is finished."

Vegetable oils: Slip. US Soya prices fell back despite a sizeable order for Soya beans.

On the Chicago Board of Trade (CBoT), a bushel of soya for November delivery fell to 4.61 dollars, down from 4.72 the previous week. Official figures highlighted an order for 863,000 tonnes of soya beans but this failed to boost prices.

Grains: Modified. US wheat prices fell further this week as the strong dollar continued to nag at demand.

On the Chicago Board of Trade a bushel of 27.2 kilos of wheat for December delivery was being traded at 256.25 cents from 260.25 cents seven days earlier.

A bushel of maize of 25.4 kilos for November delivery was being traded at 198.00 cents.

On London's LIFFE market the price of a tonne of wheat was 59.20 pounds for November delivery from 59.40 pounds a week earlier.

UN financial experts say

Iraq's switch to euro to cost $270m a year

UNITED NATIONS, Oct 28: The switch from dollars to euros which Iraq wants the United Nations to make when billing customers for Iraqi oil would cost at least 270 million dollars a year, UN financial experts said, reports AFP.

This reflects only the cost of converting oil prices in a market dominated by dollar sales, and the lower interest earned by oil revenues held in a euro-denominated, rather than a dollar, account.

The expense would make less money available for humanitarian imports under the UN's oil-for-food programme, set up in December 1996 to lessen the impact of sanctions on the Iraqi people.

In a report to the Security Council's Iraqi sanctions committee, the UN Treasurer, Suzanne Bishopric, also warned that the switch would oblige the UN to open new bank accounts and could mean delays in settling accounts.

The report, dated October 26, was made available to reporters late Friday. The committee is expected to examine it on Monday.

Iraq informed the sanctions committee on October 4 that its State Oil Marketing Organisation (SOMO) would price Iraqi crude oil in euros after November 1.

It also asked the UN to open an account denominated in euros with the French bank BNP-Paribas, which handles income from Iraq's UN-supervised oil sales.

The respected weekly Middle East Economic Survey (MEES) said Thursday there was "a serious possibility" that Iraq would halt exports unless euro-denominated letters of credit were opened by on November 1.

Iraq currently exports about 2.2 million barrels of oil a day under UN supervision. Total world demand for crude is about 75.8 million barrels a day, but the market is tight and the report nudged prices upwards on the London market.

But one diplomat, who asked to remain anonymous, said "I have been in two or three committee meetings and I have not heard anyone say that the threat should be taken seriously."

In her report to the committee, Bishopric said that "at this stage it is not possible to quantify all of the administrative, legal and financial implications of a potential change in the payments system."

She said they would be "cumbersome," and she advised the UN secretariat and the sanctions committee "to give a thorough study of the financial and administrative aspects ... before reaching any conclusion."