

## Local ceramic ware lose to cheap China imports

### Manufacturers point to huge smuggling

MONJUR MAHMUD

Aggressive pricing by Chinese producers and smuggling of cheap products have pushed the country's ceramic stoneware manufacturers into a tight corner.

"Our sales are terribly affected as low quality smuggled Chinese products have flooded the market. We are unable to compete with the cheap products," said R Maksud Khan, Chairman of Bengal Fine Ceramics Ltd (BFC).

"We are not worried about legal import. But some unscrupulous traders are importing ceramic products from China by under-invoicing them. Besides, we have reports that for every container of legal import, two to three containers are being shipped in without paying duty with the help of a section of custom officials," he added.

Prices of the imported stoneware are far below the production cost of BFC equivalent products. While the production cost of BFC stoneware is US\$ 6 per dozen, low-quality Chinese products are imported at \$1 per dozen.

"Our Production cost is going up day by day.

As local companies import around 40 per cent of their raw materials, their production cost has gone up significantly due to frequent currency devaluation coupled with high cost of funds, electricity tariff and other expenses," Khan mentioned.

BFC exports around 50 per cent of its products to different countries. "Our sales went down substantially in the export market also due to high production cost," he went on.

As the sales dipped and profits waned, the company could not declare any dividend during FY2001.

BFC's turnover went down to Tk 12.82 crore in the FY2000 from Tk 14.10 crore in FY99.

While many countries set different conditions for import of products Bangladesh does not impose any quality standard. The government should introduce a certification system for imported stoneware from China, Khan said.

Standard Ceramic Limited (SCL), another company engaged in manufacturing ceramic stoneware, also exports its products to different countries.

"The company's turnover declined substantially in the domestic as well as in the international markets. High interests on loans and impact of devaluation on raw materials have created problems for the company and we are losing competitiveness," said an official of SCL.

Although the company's sales recorded Tk 13.23 crore as in June, 1998, it went down to Tk 10.63 crore a year later. Its turnover was Tk 11.94 crore at the end of June, 2000.

If sales go down our production cost goes up, putting further pressure on competitiveness," the official said.

A Bangladesh Ceramicware Manufacturers Association (BCMA) delegation recently at a meeting urged the commerce minister to check smuggling and take fiscal measures to increase competitiveness of locally-made products.

According to the Export Promotion Bureau (EPB), the country's export earnings from the ceramic products remained almost static over the past few years. The earning was US\$ 10 million in FY99 and \$9.45 million in FY00.

## Govt savings instruments hurdle to bond market development: ADB

M SHAMSUR RAHMAN

The Asian Development Bank (ADB) views that high yielding government savings instruments are the biggest hurdle in the development of a bond market in the country.

The bank in one of its paper on strategic issues and potential initiative in the finance sector said these savings instruments have a sizeable outstanding amount and are being continuously issued.

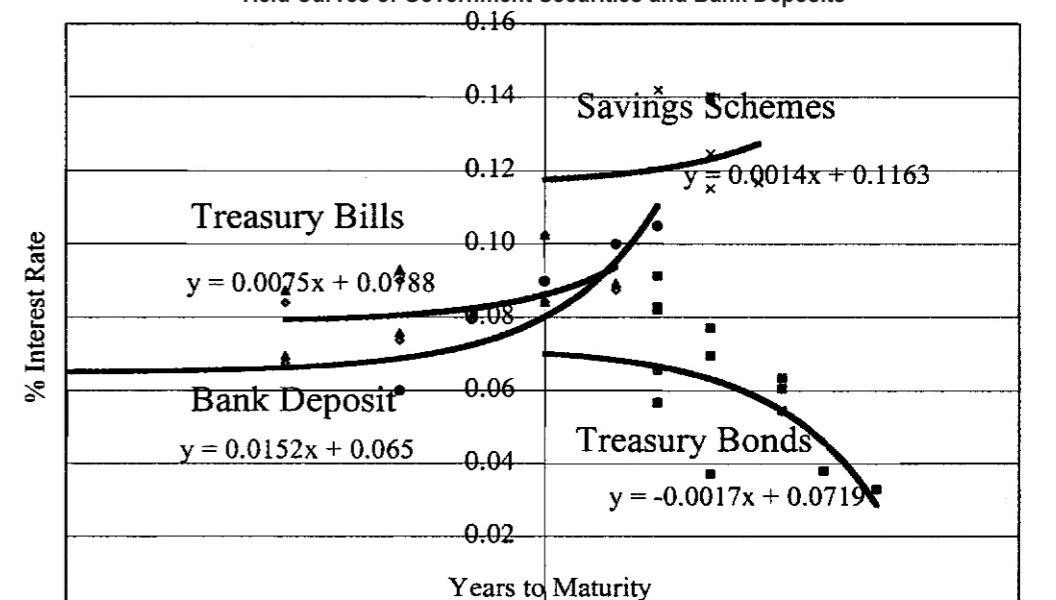
The paper said as of mid-2001, financial market instruments were mainly concentrated on banking products accounting for 72.2 per cent in the form of term deposits. Non-bank debt instruments account for the rest 27.8 per cent.

The private sector accounted for 0.4 per cent of all non-bank debt instruments and the government instruments made up for the rest 99.6 per cent.

"The yields on treasury bills are generally reflective of the market conditions. There is a wide variety of treasury bonds, all of which are priced below market rate," the paper said.

It said that there are no secondary activities on the government instruments. "Private sector instruments are debentures mainly of Beximco group listed on the stock

Yield Curves of Government Securities and Bank Deposits



exchanges. The market experience of private sector debentures has been negative as reflected by the prices quoted in the market. "Bank deposits and treasury bills have upward (high return) yield curves, generally reflective of market conditions and consistent with each other," the ADB said. "Savings schemes also have a positively sloped yield curve and are readily redeemable," the paper said. The extraordinary yield premium of savings schemes tends to drive up the cost of bank deposits and deter the issuance of what otherwise could be market-priced private sector debt instruments. The low and negatively sloped yield curve of treasury bonds with medium to long-term maturity denotes non-market pricing for these instruments.

## UAE to set up \$50m sanitary ware factory in Bangladesh

UNB, Dhaka

United Arab Emirate (UAE) plans to set up a sanitary ware factory in Bangladesh with an estimated investment outlay of USD 50 million.

This was stated by general manager of RAK Ceramics, a UAE project, when he met Executive Chairman of Board of Investment (BOI) Mahmudur Rahman here Tuesday.

During the meeting, the BOI executive chairman said with a rapidly expanding local and export market, Bangladesh has tremendous potential in ceramic and sanitary ware production.

He focussed on the growing investment scenario in Bangladesh and pointed out the importance of Bangladesh's geo-political economic situation.

Welcoming further investment from UAE, M Rahman assured Khater Massaad of all support and cooperation from BOI.

He also emphasised greater cooperation in trade and investment among the Muslim countries.

Khater Massaad informed the BOI chief about the business of RAK ceramics in Bangladesh and expressed satisfaction over their business.



Rafiqul Islam Khan, Managing Director of Notional Bank Limited, receives the first prize of ICAB National Awards-2000 from M Saifur Rahman, Minister for Finance and Planning, at a function held at Sonargaon Hotel on Monday.

## Int'l landings at airports slump by 70pc since Oct 7 Pak aviation authorities seek US compensation for losses

AFP, Karachi

Pakistan's civil aviation authorities Tuesday called on the government to demand compensation from the US for weekly losses of close on a million dollars incurred since Washington launched its air strikes on Afghanistan.

International landings at Pakistan's airports have slumped by about 70 per cent since October 7 when the United States began using Pakistani air space for the strikes,

Civil Aviation Authority (CAA) deputy director general Air Vice Marshal Arshad Rashid Sethi told AFP.

Immediately after the September 11 terrorist strikes on the US -- blamed on Saudi dissident Osama bin Laden who is thought to be in Afghanistan and the ultimate target of the air strikes -- daily international landings had dropped from 260 a day to 60.

This figure had improved marginally to about 80 a day more recently, he said.

"We have asked our government to pursue the case with the US government to get financial assistance to meet (the) losses," Sethi said.

He said he feared the CAA may become unviable due to the ongoing losses.

In addition to the perceived security risk in Pakistani air space, visa restrictions imposed by many countries on Pakistani passengers have resulted in a sharp decline in air traffic business, Sethi said.

## Govt to inject \$2b into Indian Airlines before sell-off

AFP, New Delhi

India will inject almost two billion dollars into the state-run Indian Airlines before inviting local and overseas bidders to pick up a stake in the domestic carrier, the government said Monday.

Civil Aviation Minister Shahnawaz Hussain told parliament the end of this year and the loss-making carrier was likely to be permitted to buy 40 new aircraft at a cost of 90 billion rupees (1.9 billion dollars) over the next five years.

The purchases will enhance the value of the company before its privatisation begins, Hussain said

in reply to questions on the future of the airline, which carries 57,000 passengers each day.

"As there is a delay in the process of disinvestment, Indian Airlines has been advised recently to formulate a specific proposal for the acquisition of new aircraft," the aviation minister said, adding the proposal was subject to government clearance.

India's attempts to reduce state equity in both Indian Airlines and international carrier, Air India, have run into trouble, with bidders pulling out saying the privatisation process was taking too long and lacked transparency.

Media reports say that Prime Minister Atal Bihari Vajpayee's government has already given a green light to Indian Airlines to expand its current fleet of 54 aircraft, some of which are decades old.

In contrast, loss-making Air India has been campaigning unsuccessfully for years to buy 23 medium-capacity long-range aircraft at a cost of over two billion dollars.

India, which opened its skies to private participation in 1991, says it has stepped up the pace of privatisation of its chronically-ill public sector.

## Prices of aman paddy, rice fixed at Tk 800, Tk 1250 a quintal

BSS, Dhaka

The cabinet Tuesday approved the proposal for fixing the target of aman paddy and rice procurement and their prices for the 2001-2002 fiscal.

The approval came at the regular meeting of the council of ministers held with Prime Minister Begum Khaleda Zia in the chair in the cabinet room of her office.

The prices for per quintal aman paddy and rice were fixed at Taka 800 and Taka 1,250 respectively. The procurement drive will start from the first week of December next.

The cabinet approved a target of 1.50 lakh metric tons of rice and one lakh metric tons of paddy or its total equivalent one lakh 46 thousand 56 metric tons of paddy for procurement during the fiscal. In terms of rice the procurement target is 2.50 metric tons of rice.

The cabinet also approved the amendment proposal of the Bangladesh (Freedom Fighters) Welfare Trust Order 1972.

Besides, the cabinet approved the bill of the Father of the Nation Family Members Security (Annulment) Act 2001.

Members of the Council of Ministers and State Ministers of the concerned ministries attended the meeting.

Cabinet Secretary, Principal Secretary to the Prime Minister and concerned secretaries were also present.

## Russian GDP grows 5.5pc

AFP, Moscow

Russian gross domestic product grew by 5.5 per cent in the first 10 months of 2001 compared with the same period from 2000, estimates from the Ministry of Economic Development published on Monday showed.

The ministry said on its website that seasonally adjusted data showed that in the single month of October, GDP growth was zero.

For the whole year, the ministry is forecasting growth of 5.7 per cent compared with 8.3 per cent in 2000. Definitive figures are to be published three months later by the State Committee's statistics bureau.

In its latest estimate the State Committee for statistics said GDP grew 5.0 per cent in the first half of the year.

## Disney outlook downgraded

AFP, Los Angeles

Global ratings agency Fitch on Monday downgraded entertainment giant Walt Disney Co.'s outlook to negative from stable as terror attacks on US targets and a slowing world economy wallop its earnings.

Fitch, which rates Disney's senior unsecured debt as "A minus" and its commercial paper at "F2", warned the firm to slash its massive debt and boost profits within the next two years to avoid a possible ratings downgrade.

## Dhaka, Yangon for strong sub-regional cooperation

BSS, Dhaka

Bangladesh and Myanmar Tuesday underscored the need for strengthening sub-regional economic cooperation with a view to harnessing the economic benefit for the peoples of the two countries.

This was stated when Myanmar Ambassador to Bangladesh U Ohn Thwin made a courtesy call on Foreign Minister M Morshed Khan at his office here, official sources said.

During the meeting, the entire gamut of bilateral relations between Bangladesh and Myanmar was discussed.

They observed the two neigh-

bouring countries share common bonds of history and culture dating back to ancient times and there also exists tremendous potentials to increase the economic cooperation and volume of trade between the two countries.

Khan particularly laid emphasis on joint cooperation in the areas of agro-based and dry-fruit processing industries and technical centre for human resources development of both the countries with the possible assistance of the EU and Japan.

They also agreed on exploring the possibility of extending air link between Beijing-Kuming -Yangon-Chittagong and construction of Asian Highway, which will further

contribute to economic, commercial and infrastructure development between the two countries.

Regarding Rohingya refugee problem, the foreign minister hoped that it could be solved through mutual understanding and cooperation.

The minister conveyed his felicitations and regards to the Senior General Than Shwe, Chairman, State Peace and Development Council and Prime Minister of Myanmar and reciprocated the sentiments of his Myanmar counterpart.

Director-General of South East Asia Golam Muhammed was also present.



Abul Quasem Haider, Chairman of Global Beverage Company Limited, bottler of Virgin drinks, speaks at a press conference organised at a city hotel yesterday to promote the company's business.

## Kenya tea prices firmer, Afghans back in market

REUTERS, Mombasa

Kenya tea prices were marginally firmer Monday due to strong support from Afghan buyers and an increase in sales resulting from low prices on the back of a supply surplus, brokers said.

"Demand for all teas was better than last week," one broker said. "The Afghans came back into the market after their absence last week, and Pakistan and Egypt were also well represented."

"Afghanistan is an irregular market, but when they buy tea, prices tend to go up as there is more competitive bidding," he said.

"It may be that problems with tea export routes have abated slightly despite the war, or that tea had to get in as stocks were running low."

Demand from Afghanistan -- Kenya's fourth largest tea buyer after Pakistan, Britain and Egypt --

has been irregular at the Mombasa auction since the start of US-led strikes against Afghanistan in early October.

Brokers said demand from Britain was also maintained at strong levels.

Best BP1s were sold at between \$1.78-\$1.81 per kg compared to \$1.76-\$1.79 per kg at last week's auction.

PF1s, which are preferred by the Afghan and Pakistan markets ticked up to \$1.61-\$1.72 per kg from \$1.59-\$1.85 per kg last week.

Tea prices have suffered in recent weeks from global oversupply, but one broker said low prices might also boost demand as buyers exploit the depressed market to stock up or consume more.

"When price levels are low, they are also attractive to some buyers," another broker said.

"It becomes more affordable to buy more and maybe take an extra cup of tea a day. This may help move volumes, although at lower prices."

Figures released by the board on Monday showed that Kenya's October tea output rose to 24.5 million kg from 22.2 million in the same month last year.

The board said production in the first 10 months of the year had risen to 241.3 million kg from 182.5 million during the same period last year.

Tea production estimates in Kenya have risen sharply this year owing to good rainfall. The Board of Kenya estimates overall production for the year to be 290 million kg against its initial forecast of 260 million kg.

Kenya is the world's third largest producer of black tea after India and Sri Lanka.

## Japan to dismantle 7 public corpns, cut spending loss-making firms

AFP, Tokyo

Japan approved a plan Tuesday to dismantle or privatise seven major public corporations and vowed to cut government spending on loss-making state-run firms by one trillion yen (8.1 billion dollars).

Prime Minister Junichiro Koizumi's cabinet approved the scheme, which would affect the seven loss-making public corporations including four corporations charged with building highways.

The overhaul forms a key part in a reform drive by Koizumi aimed at lifting Japan out of its decade-long

slump. Other pledges include reducing the level of bad bank loans to normal levels within three years and keeping new government bond issues under 30 trillion yen.

"We will compile a detailed plan to streamline public corporations toward the end of this year and we will thoroughly review the status of remaining public corporations," Koizumi said of 156 other state-backed firms.

Since taking office in April, the prime minister has vowed to cut government spending on state corporations by one trillion yen, and remains committed to the pledge

despite meeting resistance from old school politicians opposed to change.

"In the fiscal 2002 budget (starting in April), we will reduce our spending by one trillion yen on public corporations as planned," Finance Minister Masajuro Shiokawa said Tuesday.

Chief Cabinet Secretary Yasuo Fukuda said the approval marked the cornerstone of Tokyo's efforts to reform public firms.

"It is significant because we are able to present a certain direction of public corporation reform," Fukuda said. But he added: "This is not the

end. We should further review other public corporations in a bid to revitalize our economy."

Among the seven public corporations, Japan Highway Public Corp. is saddled with debts totaling 26 trillion yen after continuing to build highways regardless of its losses.

It has reportedly accommodated more than 400 former bureaucrats and seen as an example of Japanese pork-barrel politics and a hindrance to free competition.

The government plans to stop funding 300 billion yen to highway construction projects in the next fiscal year starting April 2002.