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Commodity prices likely to go up after accord

CANBERRA, Dec 10: Commodity prices are likely to go up once agreement is reached in the long-running GATT world trade talks...

Manufacturers in Japan expect to cut more jobs

TOKYO, Dec 10: Japanese manufacturers expect to cut more jobs as sales and profits decline further...

US, EC make GATT talks messy

GENEVA, Dec 10: Chaotic talks on world trade got even messier as the two quarrelling giants, the United States and European Community...

squeezed out of a much-heralded package to open up US banking and securities to foreign companies...

ness to foreigners. "The result is a disaster," Falkenberg said.

and you'll see a disintegration of the commitments and then we won't have package. Yet again, GATT chief Peter Sutherland asked Washington...



GENEVA, Switzerland: A joint delegation of lawmakers from Japan and Korea have their hair cut Thursday in front of the GATT building protesting the opening of the rice market in their countries.

EC opens two-day summit

BRUSSELS, Dec 10: European Community leaders opened a two-day summit here today facing a row over plans to pull the community out of economic recession...

But a battle loomed over proposals by the EC's executive to cut the jobless rate in half by the end of the century...

On the eve of the gathering, British Chancellor of the exchequer Kenneth Clarke blasted the executive commission for issuing its 191-page economic blueprint...

He said the commission wanted to "borrow money as if it were a government" with its 120 billion ECU (133 billion dollar) investment scheme...

Most EC finance ministers rejected the plan last Sunday and critics objected to the idea of new borrowings at a time when the 12 member states were under pressure to reduce their budget deficits and public debt.

Who'll print Afghan money?

KABUL, Dec 10: Afghan President Burhanuddin Rabbani and Prime Minister Gulbuddin Hekmatyar, whose rival forces have fought each other for about two years...

A meeting of Hekmatyar's cabinet has decided that the Afghan currency, the Afghani, should no longer be printed in Russia...

But Rabbani's spokesman Abdul Aziz Murad said the authority to have the money printed still rests with the President.

Traditionally new Afghan currency notes have been transported to Kabul from Moscow by plane. Hekmatyar has complained for months that there is no independent check of the currency on arrival because Kabul airport is controlled by forces loyal to the President.

He also accuses Rabbani of paying in forces with notes that do not reach the Central Da Afghanistan Bank.

Finance Minister Kalim Khalili, whose Hezb-e-Wahdat party is allied to Hekmatyar, said it was up to him and the central bank chairman to choose which country should print the Afghani.

"Companies, including Thomas De La Rue of Britain and Ciesceke UNT Devrient of Germany, are under consideration and we will decide which one to use," Khalili said in an interview.

"The contract with Russia for 1993 has expired and we have not yet made any new contract for 1994. But he added: "We have decided we will not make a new contract with Russia, and we do not have to give a reason why we want to change the contract."

But the presidential spokesman said there was no reason to change the contract "because the printing of money in Russia is cheaper than in other countries."

He said if a new contract was signed for 1994 "Afghanistan will waste 16 million" dollar the yearly cost of printing money.

Japan may face worst recession

TOKYO, Dec 10: Japan's mighty economy is likely to record its worst performance in the post-war period this fiscal year and even a hope for stimulative package would have a limited impact on growth next year, economists said...

55.5 billion U.S. dollar). The lower house passed the extra budget on Wednesday but the bill is now being debated in the upper house.

Cabinet Secretary Masayoshi Takemura told a business lunch on Thursday that the government planned to unveil its policy on income tax cuts after parliament adopts the supplementary budget, probably in the next few days.

While pressure on the BOJ to act if politicians dither could rise, a rate cut in isolation could have only limited impact, economists said.

Japan may face worst recession

There is a fear of a second year of minus growth and that this recession will turn into the worst recession in the post war period, said a report by NLI Research Institute.

Private economists as well as businessmen say Prime Minister Morihiro Hosokawa's most urgent task is to formulate a stimulative economic package including income tax cuts, deregulation and steps to boost property market liquidity.

While pressure on the BOJ to act if politicians dither could rise, a rate cut in isolation could have only limited impact, economists said.

Even a 0.5 percentage point rate cut would only boost Gross Domestic Product (GDP) by 0.1 per cent, said Tatsuo Yamamura, Chief Economist at NLI Research Institute.

Japan may face worst recession

Opposition party stalling in parliament has also delayed passage of a supplementary budget needed to fund a September economic bail out package worth six trillion yen (

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Volkswagen to lose \$ 1.35b

WOLFSBURG, Germany, Dec 10: Volkswagen's chairman said Thursday that Europe's largest automobile maker, hurt by black markets, will lose 2.3 billion mark (1.35 billion dollar) this year on a 10 per cent drop in sales, reports AP.

Last month, Chairman Ferdinand Piech had said the loss would be 300 million mark (175 million dollar) lower and blamed nearly all of it on troubles at the company's Spanish SEAT subsidiary.

Piech predicted the auto giant, after restructuring including the introduction of a four-day week at German plants to save 30,000 jobs, would break even next year.

It earned a net 147 million marks (85 million dollar) in 1992.

Piech said the company expects to sell 3.1 million vehicles this year, down from 3.5 in 1992.

An accord must be achieved by Dec 17, one day before VW's supervisory board is to hold a special meeting to approve the SEAT restructuring.

VW said both SEAT's troubles and a "negative contribution" from the North American region more than offset improvements in cost-control implemented.

Stocks, dollar finish higher in Tokyo

TOKYO, Dec 10: Prices on the Tokyo Stock Exchange rose in active trading Friday, while the US dollar finished higher against the Japanese yen, reports AP.

gain, as well as selling tied to the settlement of Nikkei's December futures and options, traders said.

The 225-issue Nikkei Stock gained 195.52 points, or 1.15 per cent, closing the week at 17,257.43. On Thursday, the average gained 553.96 points, or 3.36 per cent, closing at 17,061.91.

Many players waited for the release later Friday of Japan's gross domestic product for the July-September quarter and the Bank of Japan's quarterly "tankan" survey of business sentiment, they said.

The Tokyo Stock Price Index of all issues listed on the first section was up 18.97 points, or 1.32 per cent, to 1,466.71. The TOPIX had risen 41.20 points, or 2.95 per cent, to 1,437.74 the day before.

Meanwhile, the dollar closed at 108.98 yen, the day's high and up 0.33 yen and above its overnight New York finish at 108.66 yen.

An estimated 600 million shares changed hands on the first section, up Thursday's 230 million shares. Much of Friday's turnover was boosted by the quarterly settlement of Nikkei's December futures and options.

After opening at 108.51 yen, it moved as low as 106.44 yen.

Piech predicted the auto giant, after restructuring including the introduction of a four-day week at German plants to save 30,000 jobs, would break even next year.

Dealers said that the dollar, which remained weak in early session following its overnight trend in New York, rose back on the discount rate rumours.

Investment trusts and other dealers quickly bought issues on the rumours, Yamauro said.

Many players were awaiting the announcements of the key economic indicators, dealers said.

Lower interest rates generally makes a nation's currency less attractive to currency investors, and thus encourages stock investment.

NHK denied it aired any such report. The Bank of Japan also would not comment on its monetary action.

Earlier in the morning session, prices fell on profit-taking following Thursday's hefty

Hanoi seeking foreign help to set up local gold market

HANOI, Dec 10: Vietnam is negotiating with foreign gold traders for help in setting up a local gold market and wants to encourage exports of gold jewellery, a senior official said on Wednesday, reports Reuter.

"I hope that in a few years, Vietnamese gold jewellery will have a position on the world market," Dr Nguyen Ngoc Minh, Director of the State (central) Bank's Foreign Exchange Department, told Reuters in an interview.

Vietnam trims inflation from 700 to 4pc

HANOI, Dec 10: Vietnam has chalked up an impressive record of trimming annual inflation from at least 700 per cent in the late 1980s to four per cent this year, but economists warn the figure would rebound to double digits in 1994, reports AFP.

"They will be doing well to keep it below 10 per cent next year," he said. The four-per cent inflation estimate for this year, as derived from the consumer price index, was probably understating inflation because it failed to include price increases, such as those in the booming construction sector.

According to estimates released this week by the Ministry of Finance, Vietnam is set to post its first annual single-digit inflation rate since the country's reunification in 1975. The annual inflation rate tumbled from about 68 per cent in 1991 to 17.5 per cent last year.

He refrained from estimating where a broader measure of price movements — such as a gross domestic product price deflator — would put inflation, except to say it would be higher.

The government's anti-inflation policies have curtailed runaway prices without threatening growth. Hanoi expects Vietnam's economy to swell about eight per cent this year.

US purchasing executives see better business next year

NEW YORK, Dec 10: Most of the country's purchasing executives believe the market for their businesses will improve in 1994, according to a semi-annual business survey published yesterday, reports AFP.

Seventy-three per cent of the purchasing managers surveyed said they expected the 1994 economy to be better than this year's according to the semi-annual economic forecast issued by the National Association of Purchasing Management.

"It worries some people about what will happen in the future," said one Western economist, who asked to remain anonymous.

'Capital Markets and Development' is a new publication (for details, see below) which has a very important article written by Khurshid Alam, the current Chairman of Dhaka Stock Exchange. Never before Dhaka Stock Exchange (DSE) has received such a treatment in an international publication.

Alam, based on his hands-on experience accumulated over a span of two decades, provides an excellent chronicle of turbulent voyage of DSE for establishing a healthy capital market in Bangladesh. Like many other developing countries conditioned by twentieth century norm of depreciating currencies and non-existent or embryonic stock markets, the DSE, Alam argues, also faces retarded capital market characterized by non-significant capitalization, meagre trade volume, and under-subscription of newly issued stocks.

The rudimentary stage of DSE can be gauged from the fact that it still lacks institutional capacity to attract investors from both home and abroad. Also, DSE still lacks computerized trading facilities, standardized disclosures procedures, and the zeal of cut-throat competition based on professional competence and speculation. Few are interested in buying securities and debentures, dominant instruments offered by DSE, as they are not readily transferable.

Alam's paper covers developments up to the close of 1988 calendar year, when operational base of the DSE had 111 listed securities, which included 101 companies, 6 mutual funds, and 4 debenture issues. Alam admits that the contribution of equity financing to the total economic production in Bangladesh was less relevant to the individual investor-saver. Presently, it has 195 members, of which hardly 30 are active, and only 149 issues are listed and its market capitalization is only Taka 12.5 billion, less than one percent of GNP.

Alam, however, identifies several factors that inhibited growth of stock exchange in Bangladesh. Dominance of public sector in industrial sector, lack of public companies capable of mobilizing savings and allowing middle class to participate in the industrial development process, low liquidity of shares, and incomplete and

Book Review A hands-on account of DSE

By Dr A F Dowlah

inadequate balance sheets and lack of information were the main impediments.

Government's role in establishing a vibrant capital market also came up in the paper. Alam lauds the role of Investment Corporation of Bangladesh, floated in 1976, which provides equity finance and underwriting facilities. Also, government policies that resulted in emergence of private sector banks, insurance and leasing companies and widespread privatization contributed to the development of capitalization in Bangladesh.

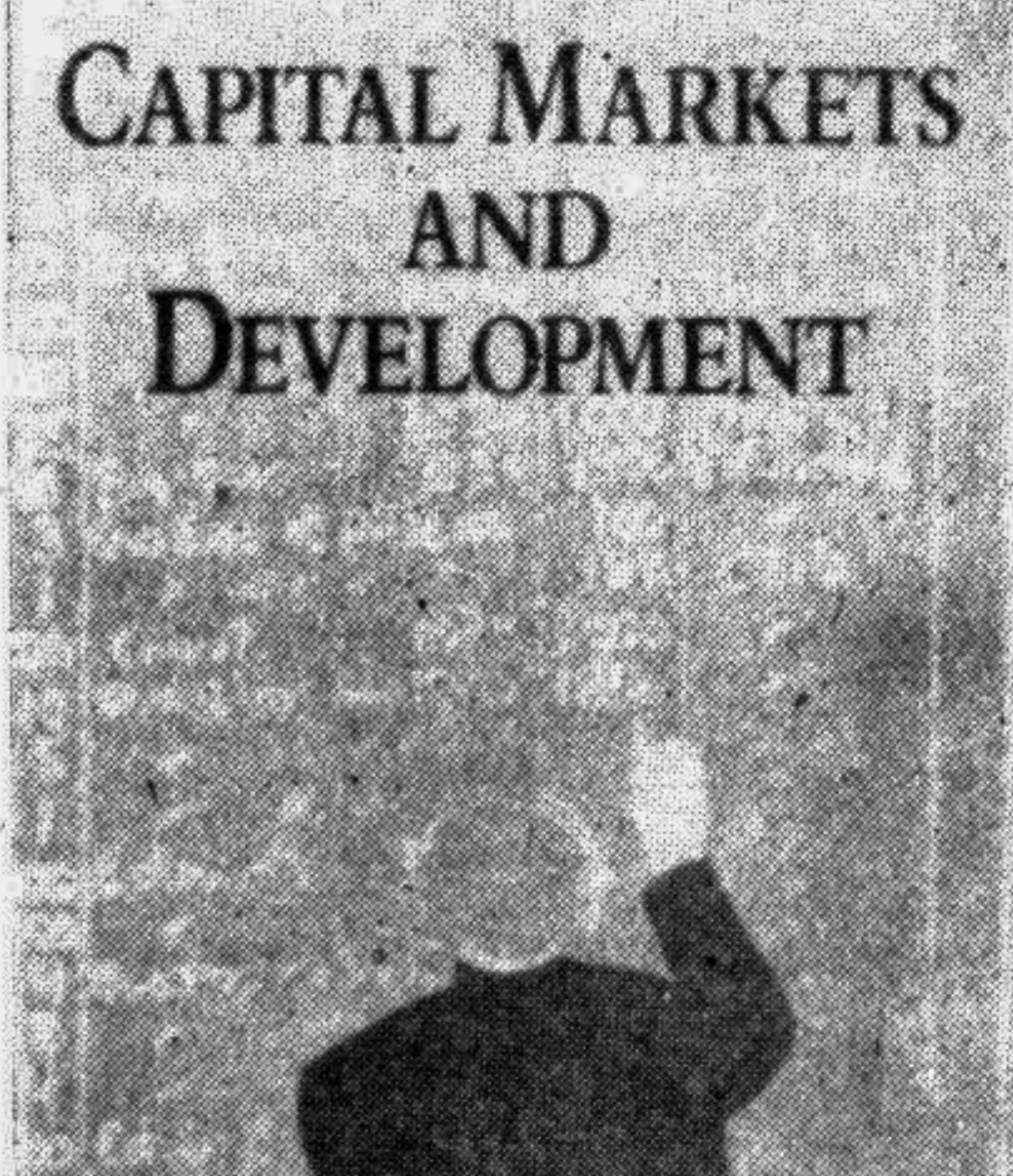
Alam points out that although the government policies preferred growth of equity, relative to debt and finance, Bangladeshi companies still prefer raising capital by profits from their operations and by borrowing from financial institutions than by public sales of their equity.

Another constraint, identified by Alam, for less development of capital market in Bangladesh is the existence of highly skewed ownership structure of companies. Government's policy measures that allow a 5 percent rebate of corporate tax on publicly traded companies, lower corporate taxes, waiver of taxation at shareholder levels, requirement of publicly traded shares for new enterprises, and the provision for sale of newly issued shares at par value, are some of the measures that will facilitate development of stock market as well as capitalization in the country, Alam contends.

Alam sketches an optimistic portrait of the art of possible in the field of stock market in Bangladesh. Although the value of shares traded on the stock floor as a percentage of market capitalization remains extremely low, Alam believes a people-oriented, what he calls a "democratic capital", could guarantee most individuals a bet-

ter tomorrow as well as consolidate the stock market itself in the economy.

Alam is appreciative of reforms that aims at



Edited by Steve H. Hanke and Alan A. Walters

eliminating repression on general financial opportunity. He is optimistic that combination of

deflated national currencies and the revolutionary changes in applied technologies that has impelled the creation of new financial instruments since World War II will equally storm capital market of Bangladesh.

Alam emphasized tapping of resources involved in the country's very active informal (curb) market. An active curb market signifies a negation to the Western axiom that low income accounts for low savings. Also, existence of curb market poses a challenge to development of a sound capital market in Bangladesh. Alam stresses that the potential of higher savings rate and productivity of investment could be enhanced by tapping curb market resources.

Conspicuous absence of a sound financial sector impedes proper development of industry, trade and commerce in the country. Also, our financial market reveals that in terms of risks and returns, our saving instruments are operating in reverse order. Government sponsored saving instruments - National Savings Deposit (NSD) certificates - are virtually risk free and they offer the highest after-tax returns of all the financial investment returns available in Bangladesh. The common stocks that involve highest risk offer the lowest return. Returns are, therefore, not associated with risks. Alam's insightful writings and rich experience could be an asset to turn things around.

Last but not the least, Capital Markets and Development is a timely book that everyone concerned with capitalization of markets around the world can benefit from. In the contemporary world in which exponential decline in the capacity of governments to confine the capital of their citizens within their respective sovereignties, this book provides invaluable insights that could open new frontiers for global capital markets aimed at involving micro-economic units — households and individuals.

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