DHAKA SATURDAY, DECEMBER 11, 1993

The Baily Star

Best with the views

### 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, Australian Prime Minister Paul Keating said to-

day, reports Reuter. "Australia will directly benefit from the liberalisation in (the textiles) sector as a substantial supplier of textile raw materials and a growing exporter of made-up articles, Keating said at the opening of a wool factory in the state of Victoria.

"It is also reasonable to conclude that increased demand should also push up commodity prices, he said.

Keating said in the letter current bilateral deals with the United States would have to be renegotiated after the GATT

The letter noted Australian concerns over bilateral deals between the two countries on dairy, beef and sugar, a Keating spokesman said.

"He also hopes Washington will be prepared to review the United States position on these matters, the spokesman said.

### Manufacturers in Japan expect to cut more jobs

TOKYO, Dec 10: Japanese manufacturers expect to cut more jobs as sales and profits decline further, according to the central bank's latest quarterly survey of business sentiment, reports AP.

But economic growth data released Friday offered a glimmer of hope, with the economy defying expectations of a contraction to register a 0.5 per cent expansion during the July-September quarter, for an annual growth rate of 2.0 per cent.

In the April-June quarter, the economy contracted by an annual rate of 1.6 per cent.

The slight improvement, however, was not interpreted as a major turnaround. The economy continues to "crawl along the bottom, taking one step forward and one step back," said Tsutomu Tanaka, Deputy Director General for the Economic Planning

Finance Minister Hirohisa Fujii said Friday that the government planned to address economic issues after Parliament's expected approval of a supplementary budget next week. Stock prices have swung wildly in recent weeks on speculation over new government measures to stimulate the economy

The Bank of Japan's survey of 10,011 major manufacturers, also released Friday, found that corporate confidence in the economy had fallen to mi nus 56 in the September-November quarter, from minus 51 in the previous quarter.

A litany of woes, including a cold, wet summer, the surge in the yen's value against other currencies, plunging share prices and a series of scandals in the construction industry have all darkened the economic mood, Bank of Japan Gov Yasushi Mieno said.

international publication.

'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

(DSE) has received such a treatment in an

cumulated 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 coun-

tries conditioned by twentieth century norm of

depreciating currencies and non-existent or em-

bryonic 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

from the fact that it still lacks institutional ca-

pacity to attract investors from both home and

abroad. Also, DSE still lacks computerized

trading facilities, standardized disclosures pro-

cedures, and the zeal of cut-throat competition

based on professional competence and specula-

tion. Few are interested in buying securities and '

Alam's paper covers developments up to the

debentures, dominant instruments offered by

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 contri-

bution 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 capi-

talization is only Taka 12.5 billion, less than one

Alam, however, identifies several factors that

inhibited growth of stock exchange in

Bangladesh. Dominance of public sector in in-

dustrial sector, lack of public companies capable

of mobilizing savings and allowing middle class

to participate in the industrial development pro-

cess, low liquidity of shares, and incomplete and

percent our GNP.

DSE, as they are not readily transferable.

The rudimentary stage of DSE can be gauged

Exchange. Never before Dhaka Stock Exchange

Alam, based on his hands-on experience ac-

# US, EC make GATT talks messy

GENEVA. Dec 10: Chaotic talks on world trade got even messier as the two quarreling giants, the United States and European Community, picked a new fight over shipping, reports

Weary negotiators headed into a weekend of nonstop negotiations at the headquarters of the General Agreement on Tariffs and Trade. But it appeared unlikely a complete deal could be reached by Wednesday's deadline.

The Europeans, for example, say they will be able to finish talks on import duties with only about 25 big trading partners meaning dozens of smaller nations will not be able to tell what they stand to gain from the GATT accord.

The deal is intended to expand the world economy by more than 200 billion dollar a year. But it could end up being less of a free-trade bonanza than its engineers have been touting.

The Third World is furious that a US-EC deal to cut import duties has given little to them. Brazil warned that without the opportunity to export more food, shoes and leather, it might withdraw offers to open its telecommunications market to US and EC companies.

Fears are growing that the United States may succeed in pushing through tougher antidumping rules, designed to stop countries from exporting goods below cost. Asian and Latin American nations say there is no point in cutting conventional import duties if their products can be hit by anti-dumping

"It's worrying us very much." said Chilean Ambassador Ernesto Tironi.

Japan and many other nations fear they might be

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 stimu-

lative package would have a

limited impact on growth next

year, economists said, reports

year of minus growth and that

this recession will turn into the

worst recession in the post war

period, said a report by NLI Re-

businessmen say Prime Minis-

ter Morihiro Hosokawa's most

urgent task is to formulate a

stimulative economic package

including income tax cuts.

deregulation and steps to boost

Hopes that such a package

would be unveiled this week

were dashed when the

Hosokawa's coalition ran into

trouble over its pending deci-

sion on whether to open the na-

tion's closed rice market to help

world trade talks succeed by

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

December 15.

property market liquidity.

Private economists as well as

search Institute.

"There is a fear of a second

Reuter.

squeezed out of a much-heralded package to open up US banking and securities to foreign companies. The United States wants to limit such benefits to countries that offer similar concessions to US

companies. Indications have emerged that Washington and Brussels have cut a private deal on these two issues, angering negotiators from other nations.

The latest American-European difficulties began Thursday, when EC negotiator Karl Falkenberg accused the United States of backtracking on a promise to open up America's ocean-shipping busi-

55.5 billion U.S dollar).

the upper house.

The lower house passed the

extra budget on Wednesday but

the bill is now being debated in

Takemura told a business

lunch on Thursday that the

government planned to unveil

its policy on income tax cuts

after parliament adopts the

Economists already expect

the economy to contract in the

underperforming the zero

growth posted in 1974/75 when

the economy reeled from high

(GDP) - total output of goods

and services less net investment

income from abroad - is ex-

pected to fall between 0.3 per

cent and 1.1 per cent in

economic researchers.

1993/94, according to private

Economists earlier said they

expect GDP data to be released

today to show a decline of 2.5 to

three per cent on an annualised

basis in the July-September

period. That would be the sec

ond consecutive quarterly de-

economists said policy makers

To cope with this,

Gross Domestic Product

business year to March 1994,

supplementary budget, proba-

bly in the next few days.

oil prices.

Cabinet Secretary Masayoshi

ness to foreigners."

"The result is a disaster." Falkenberg said.

US negotiator Richard Self accused the Europeans of waffling under pressure from Greek shipping tycoons and attempting to shift blame toward America. Greece, which takes over the EC presidency next month, wants to protect its big shipping fleet from foreign competition.

The community is jeopardizing the Uruguay Round by artificially creating excuses to pull things off the table." Self said in a telephone interview. "Other countries will follow their lead

and you'll see a disintegration of the commitments and then we won't have package."

Yet again, GATT chief Peter Sutherland asked Washington, and Brussels to become flexible. But in a sign of increasing

strains, the European Community asked Japan to send a minister to Geneva to sort out the problems, Japan declined. Negotiators are under pres-

sure to conclude the deal by Wednesday, the last day President Clinton can notify Congress of a trade treaty under rules that bar lawmakers from attaching amendments that could kill the accord.

scale income tax cuts, deregu-

lation, moves to increase liquid-

ity of the property market, steps

to help banks write off bad

loans, and a stimulative budget

to cut the discount rate in tan-

dem with government measures

such as income tax cuts is fully

possible as the timing of an ef-

Yoshi Suzuki, Chief Counsellor

at Nomua Research Institute

to act if politicians dither could

rise, a rate cut in isolation

could have only limited impact,

rate cut would only boost Gross

Domestic Product (GDP) by 0.1

per cent, said Tatsuo Yama-

mura, Chief Economist at NLI

porations' interest burden but

to be effective, must be part of

"It would help to reduce cor-

Still, even a comprehensive

package might do no more than

boost GDP growth by at best

1.3 per cent, according to a pri-

At worst, Cracould fall

again in 1904/95 by 0.4 per

cent, according to a report by

Nomura Research Institute.

"Even a 0.5 percentage point

While pressure on the BOJ

fective monetary policy, said

For the BOJ (Bank of Japan)

for 1994/95.

economists said

Research Institute.

a stimulative package."

vate think tank forecasi.



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 -AFP photo their countries.

must combine another cut in

ready at a historic low of 1.75

These would include large-

the official discount rate, al-

per cent, with other measures

OAPEC okays

budget for '94

ministers of the Organisation of

Arab Petroleum Exporting

Countries (OAPEC) met here

yesterday to discuss coordina-

tion of oil prices among OAPEC

After a day-long session of

member states, reports Xinhua

the 51st OAPEC regular minis-

terial meeting, which ended this

afternoon, the oil ministers de-

bated ways of coordinating the

cartel's oil prices and approved

a draft budget of the OAPEC

secretariat for 1994, which

amounts to 1.37 million Kuwaiti

dinar (about 4.11 million US

a memorandum submitted by

the organisation's executive bu-

reau on the OAPEC general sec-

retariat activities in the field of

environmental protection in oil-

Kuwait, Egypt, the United Arab

Emirates, Iraq, Bahrain, Libya,

OAPEC groups Saudi Arabia,

producting Arab countries.

Algeria, Qatar and Syria.

The ministers also discussed

DAMASCUS, Dec 10: Oil

Japan may face worst recession

#### 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 while keeping track of crucial world trade talks in Geneva, reports AFP.

As the government chiefs met, tens of thousands of people were expected to take to the streets here to protest the Belgian government's budget austerity plans. Miners also gathered to rail against pit closings.

The continuing recession that has driven unemployment up to 11 per cent of the EC workforce topped the agenda for the 36-year-old community's 50th summit and its second in six weeks.

But a battle loomed over proposals by the EC's executive to cut the jobless rate in half by the end of the century, boosting competitiveness through rigour and reduced labour costs and launching a massive public works programme.

On the eve of the gathering British Chancellor of the exchequer Kenneth Clarke blasted the executive commission for issuing its 191-page economic blueprint as a "sensational overnight thing" only days before the summit.

He said the commission wanted to "borrow money as if it were a government" with its 120 billion ECU (133 billion dollar) investment scheme for transport, energy and telecommunications projects, 40 per cent funded by loans.

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

### Volkswagen to lose \$ 1.35b

WOLFSBURG, Germany, Dec 10: Volkswagen's chairman said Thursday that Europe's largest automobile maker, hurt by slack 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's 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

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.

### Who'll print Afghan money?

KABUL, Dec 10: Afghan President Burhanuddin Rabb-ani and Prime Minister Gulbuddin Hekmatyar, whose rival forces have fought each other for about two years, are in a new row over who should print their war-ravaged country's money, reports Reuter.

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

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 is forces with notes that do not reach the Central Da Afghanistan Bank.

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

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

"The contract with Russia for 1993 has expired and we have not yet made any new contract for 1994.

But Murad said the currency printing contract for 1994 had

already been signed with Russia. " Russian notes will still be coming in," Khalili said. 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.

### 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.

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.

The Tokyo Stock Price Index of all issues listed on the first section was up 18.97 points, or 1.32 per cent, to 1.456.71. The TOPIX had risen 41.20 points, or 2.95 per cent, to 1,437,74 the day before.

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. Tomoatsu Yamamuro, a Yamaichi Securities Co trader, said prices began recovering on midmorning rumours that Japan's public television network NHK reported that the Bank of Japan may cut its official discount rate soon.

"Investment trusts and other dealers quickly bought issues on the rumours." Yamauro 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 gain, as well as selling tied to the settlement of Nikkei's December futures and options, traders said.

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.

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.

After opening at 108.51 yen, it moved as low as 108.44

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.

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

### Hanoi seeking foreign help to set up local gold market

HANOI, Declo: 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.

#### deflated national currencies and the revolution-Vietnam trims inflation ary changes in applied technologies that has impelled the creation of new financial instruments since World War II will equally storm capital from 700 to 4pc wam emphasized tapping of resources involved in the country's very active informal

warned that a resurgence in the money supply - as Vietnamese switch from using US dollar to the now more stable domestic currency, the dong, and increased foreign investment boosts demand for labour, property and raw materials - could push inflation

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

"They will be doing well to 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. According to estimates re-

cased 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. The government's anti-in-

flation policies have curtailed runway prices without threatening growth. Hanoi expects Vietnam's economy to swell about eight per cent this year. But economists here

over 10 per cent next year.

main anonymous.

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 underestimating inflation because it failed to include price increases, such as those in the booming construction sector. He refrained from estimat-

ing where a broader measure

a gross domestic product price

of price movements - such as

deflator - would put inflation, except to say it would be higher. US purchasing executives see

better business next year NEW YORK, Dec10 : Most of the country's purchasing executives believe the market for their businesses will improve in 1994, according to a semi-an-

nual 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 semiannual economic forecast issued by the National Association of Purchasing Manage-

ment.

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

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

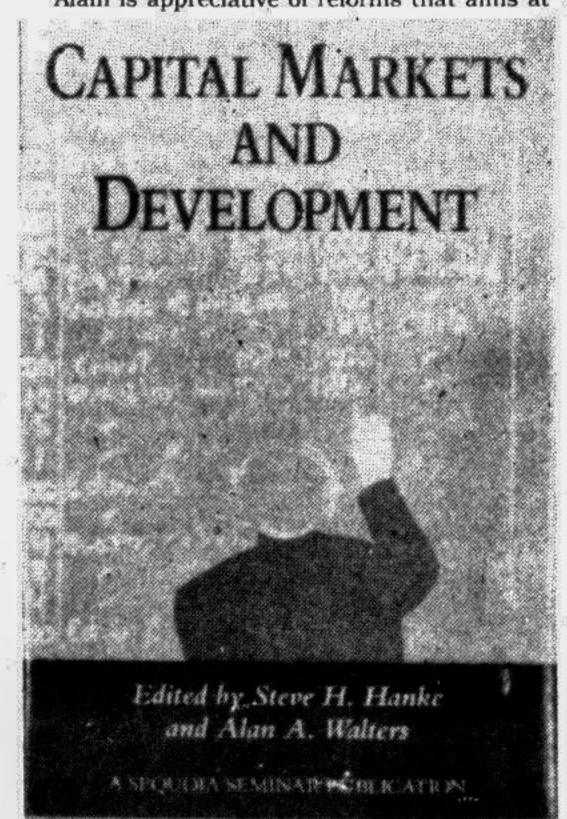
on the stock floor as a percentage of market cap-

italization 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



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

(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

market of Bangladesh.

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

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.

and rich experience could be an asset to turn

(Capital Markets and Development. Edited by Steve H Hanke and Alan A. Walters. Published by Institute of Contemporary Studies (ICS), San Francisco, California, 1991. 385 pages including bibliographical references and index.

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.