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Best with the views

Investors pin high hopes on SEC

Abu Ahmed Guest columiust

Now that the Securities and Exchange Commission (SEC) the regulatory body in the capital market - has got its office and members, the investors hope that it will act to develop. They also see what the prothe capital market.

The need and function of the capital market in Bangladesh had never been properly understood. A lot of confusion about it exists among the investors, even more among the policy makers. Confusions mostly arise from a lack of knowledge. Educated persons never bothered to take a closer look at it. They usually put whatever they saved in saving certificates sponsored by the govt. Savers in Bangladesh had very few options in term of where to put the past sometimes were lower than the prevailing inflation rate, with the result that savers lost their real income. What the capital market could have done to push our industrialisation, was never seriously explored by the govt machinery. A traditional way of industrialisation was followed through government effort, But we know, it did not work. The government could not gather enough income to industrialise on its own, nor could it recover the money it loaned out to private parties for got the money from the inindustrialisation.

Only from the middle of the last decade did capital market start drawing attention of the policy makers. Yet policy makers took a long time to take measures to make the market functional in the proper sense. Even now the market is not functioning in the way the investors want it to.

A vested interest group created under state's patronage or sometimes resulting from govt's indifference, seem to want a capital market, but not a competitive one. Actually, many of the Bangladeshi industrialists and businessmen are not used to a situation of competition. Over the years many of them have been provided with cheap state hand, and then protected from outside competition through high tartif walls. They were not asked to collect their fund for industrialisation from the capital market. The advantage of capital market is that it rewards those who perform better, and penalises the ones who don't

The investors — individuals and institutions - see what the

Royal Nepal

Airlines to

be privatized

KATHMANDU, Dec 25:

Royal Nepal Airlines Corpora-

tion (RNAC), the only state-

owned airlines company in the

country, will be privatized in

has been considering privatizing

RNAC since long time ago, but

it will still take time as the

Ministry of Tourism and Civil

Aviation is to conduct an ex-

tensive study on it, according to

for Finance Mahesh Acharya

said that he could say nothing

in advance about the exact time

and procedure for the privatiza-

However, Minister of State

a local press report yesterday.

The Nepalese government

near future, reports Xinhua.

industry is, that is seeking the fund, and who are the persons who are supposed to run it. posed industry's balance sheet is like, and income statement about its financial health. In short, investors themselves are the judges about the prospect and viability of the industries where they were requested to put their money. Stake and reward go together in capital market. Capital market issues or make available capital instruments like stocks and debentures, the former is ownership instrument while the latter is debt instrument. When an industry or a company pertheir savings. Most of the times forms better, it pays good divithey turned to land and real es- dend to the share and stock intate purchase. Interest rates in vestors. When it does bad, it

pays little or nothing. The owners, i.e. the shareholders, are risktakers and also the fund-suppliers. The fund has the best use in a company when it is supplied by the owners themselves. Capital market ensures it. In Bangladesh, the capital market investors are not happy. They were misinformed, sometimes cheated, and many a time, deprived of their due by the same companies who took money from them by issuing lefty promises. Once companies vestors, it seemed everything started going wrong. In many instances, they were managed scenes, just to prevent payment of dividend, of the investors'

Auditing in Bangladesh exists in name only. There were instance when auditing firms even did not go to the companies before they certified what is what. Money can buy auditing reports in Bangladesh. With such irregularity, where can investors turn to? They demanded the establishment of a regulatory body in place of former office of the controller of capital issue, which proved to be incapable of responding to the needs of the market, and of the queries of small investors. Every other country around us has a strong regulatory body for its capital market, though the names are different.

Bangladesh took time in establishing its own regulatory body. However, this is a matter of satisfaction that at last *Bangladesh has such a body. But will it live up to the expectations of the small investors? Will it respond decisively to the needs of the time? An appre-

BEIJING, Dec 25: China's

largest city is trying to curb the

annual post-Lunar New Year

influx of peasants looking for

temporary jobs, an official

newspaper said Friday, reports

hai is drafting regulations that

would require employers to get

government permission before

hiring non-Shanghai residents.

Companies also would be forced

to do their hiring through gov-

ernment labour agencies rather

residents to fill job openings will

companies be allowed to hire

strongest yet taken by a major

outsiders, it said.

Only after failing to find local

The new rules would be the

than directly, the paper said. '

The China Daily said Shang-

hension prevails that at the end the newly established Securities and Exchange Commission (SEC) will turn into another slow-going bureaucratic body. The Securities and Exchange Commission has a five-member governing board. There are three full-time members including the Chairman, and two part time govt-nominated members. As per the constitution and power assigned to the SEC, so far we have made all the correct moves.

It has enormous power, and

it is not to be questioned when exercised in good faith. SEC should have priorities to work with. The priority areas should be the standarisation of auditing, reforms in the stock exchange, inducing govl to allow more fiscal concessions to capital market development, and strengthing the rules of public issue. In auditing standard, the SEC might not have much to say as the same is controlled and seen by the Institute of Chartered Accountants. But for a while it can assign some conditions to the disclosures in balance sheets of the companies. In many other countries. SEC showed toughness as regards disclosures. In Bangladesh, this should also be

made a requirement. The toughest task for the SEC will be the stock exchange reform. It is traditionally a reform resistant institution. Neither has it put forward any meaningful proposal on its own for reform, nor did it ever listen to any good advice in this regard of government. SEC has the power to fix

The main goal of the stock exchange reform should be to attain competitiveness on the exchange floor. A stock exchange must satisfy two conditions before it can be trusted. and these two conditions are: competitiveness and transparency. Unfortunately neither of these conditions are fulfilled by the present stock exchange. There should be a watchdog body to observe the fairness of the transactions on the floor of the stock exchange. The watchdog body should be independent of the administrative hold of the SE. Judge and plaintiff's pleader cannot be the same person. The adjudication of disa putes in the stock transaction should be neutral.

As a short-term measure, the non-active members of the

Shanghai to curb migrant labour

in the countryside, where most

peasants have at most a sixth of-

an acre (one-fifteenth of a

hectare) per person - not

enough to keep them busy all

China's civil

aviation chief

demoted

Thursday announced the demo-

tion of the head of its civil avia-

tion authority, which has over-

seen an industry rife with hi-

jackings and crashes, reports

Xinhua News Agency said Chen

Guangyi, a top official in coastal

Fujian province, would be the

new director of the Civil Avia-

tion Administration of China.

He replaces Jiang Zhuping, who

Xinhua gave no explanation

was named a deputy director.

for the personnel shuffle.

In a brief report, the official

BEIJING, Dec 25: China on

year round.

exchange can be asked to relinquish their memberships, or alternatively, SEC should take steps to issue fresh memberships. The logic that income on the floor of the exchange is not ports AP. enough to lure the 'sleeping' exchange members to transact is not tenable. When a stock exchange member has something more important to perform out-

The stock exchange should not

have the image of a private

club. Such an image will harm

the exchange and also the in

Abut issuing regulations,

Bangladesh does not have them

on the table, in a manner un-

derstood by the investing pub-

lic. First the British, and then

Pakistanis, framed same of the

regulations. But they were nei-

ther revealed to the public, nor

were adhered to strictly. Re-

cently a phenomenon came up

as regards the share issue at a

premium. What is the basis of

share issue at a premium?

Simply because a company

built-up is allowed as a criterion

to sale shares at a price more

than par value, that will mean

rewarding for delay. No fresh

offer was allowed to be sold at

But that tradition was bro

ken in the last two years, that

gave some companies the op-

portunity to inflate their ac-

count, or if it was not possible,

to lobby with the authority to

permit them to sale shares at a

premium. A pandora's box was

opened through such a deci-

sion. Now a company which is

yet to start operation, or started

operation a year ago, may try to

come up with premium issue.

The SEC should be tough with

such kind of intention. It

should clearly tell the issuers

lowed to be sold at premium,

that no-fresh shares will be al-

and the old issues for this pur-

pose should be closely scruti-

abroad pin high hopes on the

SEC. They believe they have an

organisation where they can

come and talk to or petition.

hands of the vested interest.

They also hope it will exercise

its power properly. Bangladesh

has more laws than it needs.

But not more institutions than

This, combined with rela-

tively low prices for their crops

and rising prices for pesticide,

fertilizer, clothing and other

manufactured goods, drove an

estimated 80 million peasants

to leave their farms and seek

turn home for the fall harvest

and stay there through the Lu-

nar New Year, in late January

or early February. Then they

set out on the road again, look-

ing for work on urban con-

struction crews or other manual

labour. Some sell popcorn or

other snacks on the streets, or

scavenge through garbage bins

for cans, cardboard and bottles

A Shanghai newspaper re-

ported last Lunar New Year that

nearly 50,000 peasants were

arriving each day during the

peak period of about two weeks.

Even more peasants flocked to

the southern city of Canton,

which enjoys one of China's

fastest-growing economy.

The peasants generally re-

city jobs over the past year.

it needs. SEC is a valuable ad-

dition.

to resell.

They hope it will play into the

investors both at home and

premium before.

built up reserve? If a reserve

vestment climate.

side, he will not come to the floor of the SE, but an unemployed youth with a promise will definitely come to transact in stocks if he is given a chance.

> Strikers told local radio stations that "British colonialism is

Reluctant to cross the picket

Union officials said the strik ers had no intention of harming anyone but that the non-strikers apparently did not want to cross the picket line. As the helicopters shuttled employees from the building, pickets locked arms and shouted "come

down, we won't harm you." At the bank's Ortigas Avenue branch in suburban San Juan employees said they would remain there through the Christmas weekend so they could open for business on Monday despite the pickets.

BANGKOK, Dec 25: Thatland's national carrier, Thai Airways International, announced 1993 pre-tax profits of 1.38 billion baht (55.2 million dollar) during its annual shareholders meeting Thursday, reports AFP.

The airline carried 10.18 million passengers during the year, a 16:78 per cent rise over 1992, according to a statement issued by Thai.

Total revenues were 58.58 billion baht a 6.5 per cent increase, the statement said.

During the year, the flag carrier removed nine aircraft from the fleet.

That also announced a new Chairman, Kasem Suwanakul replaces Air Chief Marshall Gun Primarnthip. The nomination of Kasem, a wellknown technocrat in Thailand, reportedly angered members of the Thai Air Force which has long dominated the airline and which supported the re-nomination of Acm Gun.

Ghana to raise minimum wage

LAGOS, Dec " Ghana will raise the official minimum wage by 72 per cent in 1994, the government said in a statement in the capital Accra on Thursday, reports Xinhua.

According to the news agency of Nigeria (NAN) this evening, the statement said that from January 1, 1994, the basic minimum wage will be 790 cedi

Bankers' strike on in Manila

MANILA, Dec 25: About 50 officials and employees of the liong Kong and Shanghai Bank were evacuated by helicopter Friday after striking workers barricaded the local headquarters in the financial district, re-

About 40 other bank employees were hold up at another Hong Kong and Shanghai branch and planned to stay there through the holiday week-

Employees of the llong Kong-based bank went on strike Wednesday after a 10-month dispute over an employee evaluation programme which the union says effectively reduces

dead but lives on at the Hong Kong and Shanghai Bank."

line, bank officials appealed to the government for help. After the Philippine air force refused to intervene, the bank hired two private helicopters to airlift nonstrikers and executives from the roof of the bank's building in the Makati financial district.

Thai Air declares \$55.2m pre-tax profit for '93

The Thai board attributed the disproportion of passenger and profit growth to increased competition among airlines as result of the world recession.

(0.98 US dollar) per day, up from the 460 cedi (0.57 US dollar) fixed in 1991.

Business houses press Rao to reject Manmohan's resignation

NEW DELHI, Dec 25: A groundswell of support among India's businessmen grew Saturday in favour of Finance Minister Manmohan Singh who announced his resignation over the country's biggest financial scandal, reports AP.

If Prime Minister PV Narasimha Rao accepts Singh's resignation, it will be a major blow to India's economy. Just as it was beginning to grow since the two leaders launched sweeping free-market reforms in June 1991.

But the architect of the economic liberalization and its helmsman has been Singh, an economics professor-turned-bureaucrat who was brought into the government by Rao. "It will be an utter disaster

for India if the resignation is ac tually accepted by the prime minister," said Keshub Mahindra, Chairman of a leading Indian automobile company. "I hope the prime minister

will persuade him not to resign," said Subodh Bhargava, Vice- President of the Confederation of Indian Industry.

Singh was apparently stung by a parliamentary committee that said he failed to check a 1.8 billion dollar stocks and securities scandal, which surfaced in April 1992.

Singh's still-incomplete reforms programme helped restore India's international credit and rescued it from impending bankruptcy

He also helped attract foreign investment into India and reduce inflation to seven per cent from 17 per cent annually in his two years in office. Fiscal deficit that hovered around nine per cent of the Gross Domestic Product throughout the 1980s was reduced to 5.6 percent in 20 months.

The resignation announced Friday, comes less that two months before India's federal budget for the next financial year must be unveiled.

"It is very difficult to translate the thought of liberalization into action. And (Singh) has been skillfully managing this," said M C Agarwal, a top Indian official of Siemens, a Germanybased engineering multina

Indian newspapers reported dozens of other comments from top businessmen, conveying dismay at Singh's resignation.

"Almost every person in trade, industry, commerce and banking circles was dumblounded," the Indian Express newspaper said.

Chief Government Spokesman S Narendra said Rao likely will announce on Monday whether he will accept Singh's resignation. Although the news broke af-

ter stock markets closed for Christmas, stock prices fell by five per cent in informal trading

Friday, newspapers reported.

A 30-member panel of legislators from the federal Parlia ment said in a report released Tuesday that Singh must be held accountable because the Finance Ministry did not anticipate the securities swindle, did not react strongly when it was uncovered, and failed to take corrective action.

The 17-month investigation was prompted by newspaper reports that some brokers of the Bombay Stock Exchange with . the help of bank officials file gally diverted about 1.8 billion dollar worth public funds from several Indian and foreign banks to create an artificial boom in the stock market.

The disclosure of the scandal caused the market to crash, wiping out millions of small investors.

Paris adds 25.3b franc to forex reserves

PARIS, Dec 25: The Bank of France added 25.3 billion france to its foreign exchange reserves in the week of December 9-16, as the French franc appreciated against the German mark, according to information from the central bank's weekly balance sheet released Thursday, reports AFP.



Trading resumes on the Bombay Stock Exchange after a nine day stand-off after traders went on strike December 13 after the Securities and Exchange Board of India imposed curbs to end excessive speculation. Friday was also the last day of trading until the end of the winter vacation January 3. - AFP photo

Pakistan shelves \$ 644 m motorway project

ISLAMABAD, Dec 25: Pakistan has abandoned a 644 million US dollar project with a Turkish firm to build a motorway from Islamabad to Peshawar and reduced a similar road being built by South Korea's Daewoo (78000 ks), the official APP news agency said,

reports Reuter. Law and Parliamentary Affairs Mirtister Igbal Haider told the National Assembly (Lower House) the road from Islamabad to North West Frontier Province capital Peshawar was scrapped because it was an unnecessary burden on the na-

tional exchequer, APP said. He said the government has decided to improve the existing roads between the two cities.

Haider said the 340 km mo torway from Islamabad to the Punjab Provincial capital Lahore, being constructed by Dacwoo at a cost of 25 billion

rupee has been reduced from six to four lenes to save three billion rupee, APP said.

The opposition members of former Prime Minister Nawaz Sharif's Pakistan Muslim League criticised Benazir Bhutto's government for scrapping a part of the motorway project and for modifying the

The motorway project was launched by former Prime Minister Nawaz Sharif in 1991.

The contract for the Islam, abad-Peshawar section of the motorway was awarded to Turkey's Bayindir Holding AS. The Turkish company said

on Tuesday it had not received any official written notice though its office in Pakistan was contacted by Pakistan national highways authority to notify them of the cancellation of the contract.

TAIPEI, Dec 25: Taiwan has targetted October next year as its deadline to join the General Agreement on Tariffs and Trade (GATT), economics officials here

Taiwan to join

GATT by Nov

said Thursday, reports AFP. "We must complete all necessary trade talks and entry

procedures around October next year in order to join the global trade body," Vincent Siew, Chairman of the Council for Economic Planning and Development (CEPD), said. He noted that once Taiwan became a GATT member it

would automatically become a founding member of the World Trade Organization (WTO) which will replace GATT in Siew said there was no al-

ternative to Taiwan joining GATT as soon as possible since no country would be able to ignore the influence of GATT with its 117 signatories. Sea World Complex

in Jakarta to be built soon

SINGAPORE, Dec 25: The Hong Leong Group of Singapore has joined forces, with Indonesia's Lippo Group to build the first sca world aquarium complex in that country, reports Xinhua.

A source of Hong Leong here yesterday said that a 50-50 joint venture agreement between Lippo and Hong Leong's subsidiary, CDL Hotels International in Hong Kong, is expreted to be signed soon.

The planned sea world complex in Jakarta is expected to be three times bigger than the underwater world in Sentos, a island of Singapore, which is described as the second largest sea world in Asia with annual tourist arrivals of more than

The source said the sea world will feature four main attractions: A fresh-water enclosure housing some of Indonesia's rare fish and other marine life, a coral sea garden, a touch pool which is about 10 times bigger than the one in Sentosa and a giant tank which can contain five million litres of wa-

thice million,

ter.

World commodity markets pick up at the year end LONDON, Dec 25: After a precious metal prices rose months of the year, dropping in

poor year in 1992 and a difficult start in 1993, the world commodity markets picked up at the end of the year, boosted by and by economic recovery in the United States, with only cruide oil showing a steep fall in price, reports AFP.

The price of Brent crude oil fell to its lowest level in real terms in 20 years, depressed by high world production, prospects of a resumption of Iraqi oil sales, and the failure of OPEC countries to cut output.

On the London Metal Exchange (LME), metal prices fell sharply in the first nine months of the year but picked up in the last quarter after several producers agreed to cutbacks in production, China joined the tin producer associa-

tion, and U.S demand rose. The precious metals rallied in the first part of the year, but fell back when scepticism grew over the strength of underlying demand. Pre-christmas jewellery buying boosted demand in the latter part of the year and

Among the soft good, coffee and cocoa prices fell in the first part of the year after failure of a series of producer initiatives talks between producer and consumer groups, but rallied sharply in the second part of the year.

Coffee prices jumped when the producer countries formed a cartel and agreed to withhold 20 percent of their exports to raise prices. Cocoa prices rose on worries over the political situation in Ivory Coast following the death. Its long-serving President Felix Houphouet Boigny.

The heavy flooding that hit the U.S midwest in the middle of the year gave a brief fillip to the prices of cotton, wool, grains and soya, partially compensating for losses suffered at the start of the year.

GOLD: The price of gold fell to 325.85 dollar an ounce in March, its lowest level since January 1986, before rising by 25 per cent over the next four months thanks to a boom in Chinese demand, speculative

buying by jewellers and tension on the international currency

markets. After rising to 409.75 dollar an ounce in August, its highest since September 1990, the price of gold then fell back on profittaking in the autumn before ending the year around the 400-dollar level.

PLATINUM: Platinum prices were supported in the first quarter by fears that unrest in Russia and South Africa would disrupt supplies from the metal's two major suppliers.

After rising to 4,19 dollar an ounce in August, its highest level since March 1991, the metal's price fell back steadily because of the weakness of the international car market.

SILVER: The price of silver rose in the first half of the year on hopes that the fourth consecutive annual deficit of production compared with demand would boost the market in the ong term. Between January and July,

silver price rose by 52 per cent

to 5.46 dollar and ounce, falling

back when dealers said the rise

had gone too far and world

COPPER: After falling by

more than a third in the first nine months of the year, hitting their lowest level for five years, copper prices stabilised at their lower levels as the signs of economic recovery in the United States grew.

The rise in copper stocks on the London Metal Exchange (LME), almost doubling in the year, worldwide overproduction, and slowing of European and Japanese demand continued to depress prices, which finished the year down by 20 percent from 1992.

LEAD: The price of lead fell in the first half of the year because of the metal's over production around the world, but then recovered after the decision of several major smelters to gut heir output. The international lead and

fall by 300,000 tonnes this year, 14 per cent down on 1992. ZINC: The price of zinc fell

by 20 percent in the first nine

zinc study group said that

mined production of lead would

since the zinc contract was introduced on the LME in 1988. depressed by worldwide overproduction, a rise in stocks and lack of industrial demand. In the last quarter, zinc rose slightly after several Western

world producers agreed to cut

September to its lowest level

output. Demand grew in the United States. ALUMINIUM: The aluminum price fell by 11 per cent from 1992, dropping in November to 1,050 dollar per tonne, its lowest level since the contract was introduced in 1987, as demand

record 2.1 million tonnes. The fall in prices slowed at the end of the year after a decision by Russia to cut output by 10 per cent and hopes of a cut in Western world output. following a reduction in production at U.S giant alcoa.

NICKEL: The price of nickel fell sharply in the first nine months of the year, dropping in September to 4,095 dollar per tonne, its lowest for six years, depressed by worldwide over

production, the rise in Russian exports and record growth in world stocks. On the LME, stocks of nickel

rose by 55 per cent in the year to reach a record high of 122,000 tonnes. TIN: The price of tin fell gradually over the year, reach-

ing in September its lowest level for 20 years, depressed by the possibility that the Association of Tin Producing Countries (ATPC) would be liquidated and its buffer stocks released onto the market. For the past six years, the

ATPC, made up of Australia, fell and LME stocks reached a Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zire, has attempted to control production - but unable to control Chinese and Brazilian output, its impact has been limited.

The EIU said, however, that the price of tin would rise in 1994, predicting a deficit of production against demand of around 21,500 tonnes after a deficit of 5,900 tonnes this year. Current world stocks stand at around 40,000 tonnes.

Chinese city to curb the annual Many international organisurge of millions of peasants zation, particularly those from who overwhelm the railroads the United States and the and camp at the train stations, United Kingdom, have shown posing health and safety risks. their interest in the privatiza-The problem is caused by tion of RNAC, said a finance widespread underemployment ministry source. The source said that Lloyds

and Barcley, two renowned financial institutions in UK. submitted technical proposals in this regard to the Nepalese government some two months International Civil Aviation

Organisation had also submit

ted a similar proposal to the

Nepalese government. Annual inflation in EC dips to lowest rate

BRUSSELS, Dec 25: Annual inflation in the European Community dipped to its lowest annual rate in more than five years last month, the European Commission's statistics office said yesterday, reports Reuter. Eurostat said the annual inflation rate fell to 3.2 per cent in

November from 3.3 per cent in

It said it was the lowest rate

October.

since an annual 3.2 per cent recorded in May 1988. The figures mean that Ireland, Britain, Denmark, the Netherland, France and Belgium meet the inflation criteria for creation of a single EC cur-

rency, Erostat said.