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The Daily Star BUSINESS

DHAKA TUESDAY, DECEMBER 5, 1995

**HYUNDAI**

CARS THAT MAKE SENSE

Bangladesh takes part in Bangkok fair

BANGKOK, Dec 4: Bangladesh embassy in Bangkok participated in the annual YWCA Fair held in Queen Sirikit National Convention Centre on November 25, reports BSS.

A number of products like jute carpet, muslin clothes, hosiery products, brass and wooden handicrafts, tea, etc. were displayed and sold.

The fair was inaugurated by princess Bajrakitiyapha who visited Bangladesh stall where she was received by the ambassador of Bangladesh in Thailand Mohammad Julmat Ali Khan and his daughter.

A memento was presented to the princess by the head of the stall.

The princess evinced keen interest in Bangladesh products.

Tk 28.16cr BKB loan outstanding in Madaripur

MADARIPUR, Dec 4: Over Tk 28.16 crore loan of Bangladesh Krishi Bank (BKB) have been lying outstanding in the district. Of the amount, time-expired loan stood at over 19.55 crore, official sources said, reports UNB.

Meanwhile, 1,270 certificate cases have been filed against the defaulter farmers of four thanas — Shibchar, Rajoir, Kalkini and Sadar.

However, the bank has planned to realise the outstanding loan of Tk 5.95 crore during the current fiscal year as against its target loan disbursement of over Tk 6.82 crore.

The bank during the last three months disbursed Tk 75.23 lakh among the farmers as against its realised loan of Tk 69.53 lakh.

The farmers have suffered a huge crop loss due to flood this year and they urged the government to extend financial assistance for their early rehabilitation.

Khulna Hard Board Mill won't meet production target

KHULNA, Dec 4: The Khulna Hard Board Mill would not be able to meet its target production due to shortage of raw materials, mills sources said, reports UNB.

The Ministry of Forestry has sanctioned three lakh cubic feet (cft) Sundari timber for the mill as against its annual requirement of seven lakh cft timber.

Moreover, the production might be shrunk further as the consignment of sanctioned timber could not reach the mill till last week of November.

Besides, the four lakh cft timber that procured from the local market is not up to the required grade and thereby quality of the board would be below standard.

BIBM course on audit ends

A training course on "Audit and inspection in banks" conducted by the Bangladesh Institute of Bank Management (BIBM) concluded yesterday, says a press release.

Meeting at Bandar Bhaban

'Surcharge on freight rent should go'

CHITTAGONG, Dec 4: There is now no justification of imposing surcharge on freight rent for shipment of exportable and importable goods to and from Bangladesh, reports BSS.

This was observed at a meeting of port users and officials of Chittagong Port Authority and other concerned government departments held here at the Bandar Bhaban yesterday, says an official handout.

Chaired by State Minister for Shipping Shajahan Siraj, the meeting was attended by the representatives of Bangladesh Garments Manufacturers and Exporters' Association, Bangladesh Ship Owners' Association, Bangladesh Shippers' Council, Bangladesh Steamer Agents' Association, Bangladesh Master Stevedores' Association and Chittagong Chamber of Commerce and Industry.

The meeting observed that since there was no congestion and ships now do not have to wait for getting berths in Chittagong Port, imposed surcharge on freight rent should be withdrawn. Surcharge was imposed on freight rent for the last few months due to congestion in the Port.

The State Minister for shipping asked the port authority to form a task force to give top most priority to export and import of garment products and garment accessories and fabrics.

More lands to be brought under mustard farming in 11 S dists

PATUAKHALI, Dec 4: About 88,400 hectares of land will be brought under mustard cultivation in 11 southern districts during the current rabi season, official sources here said, reports UNB.

The production target of mustard has been fixed at 58,500 metric tons.

Of the total, 4,135 hectares will be cultivated in Barisal, 26,000 hectares in Pirojpur, 3,220 hectares in Jhalokathi, 4,050 hectares in Bhola, 3,385 hectares in Patuakhali, 3,000 hectares in Barguna, 6,090 hectares in Rajbari, 10,070 hectares in Faridpur, 10,400 hectares in Madaripur, 9,150 hectares in Gopalganj and 8,900 hectares in Shariatpur districts.

Bangladesh Agriculture Development Corporation (BADCO) will sell 7,15,000 kgs of mustard seeds among the farmers at fair prices to make the programme a success.

4th branch of Southeast Bank opened formally

By Staff Correspondent
The fourth branch of Southeast Bank Ltd. at Laldighi in Sylhet town has started functioning on Sunday last, says a press release of the bank yesterday.

Vice Chairman of the Board of Directors of the bank Ragib Ali formally opened the branch.

A *milad mahfil* was also arranged on the occasion.

MA Kashem, Chairman of the Board of Directors, Syed Anisul Haq, Managing Director and Directors Shahid Ali, Aqur Rahman MA Ahad, Abdur Rahman, Mohammad Hossen, Azimuddin Ahmed, Mashur Rahman, Mohammad Abu Tayob, Mostary Mian, Abdur Rouf, and Adviser AKM Gaffar were also present at the function.



The 34th annual general meeting of Dhaka Stock Exchange was held yesterday with Khurshid Alam, Chairman, presiding.

\$ 1.4 b German aid likely for former Yugoslavia

BONN, Dec 4: Germany is considering a two-billion mark (1.4 billion dollar) contribution toward an international aid package to rebuild the former Yugoslavia, according to an internal foreign ministry report Friday, says AFP.

The report, which does not take into account the cost of sending some 4,000 German soldiers to a NATO-led implementation force there, also recommends that the aid should not be made dependent on particular measures.

World Bank head James Wolfensohn, on a recent visit to Bonn, estimated the overall cost of a three year reconstruction programme for former Yugoslavia at between three and 4.5 billion dollars.

A meeting of donor countries is expected to take place December 18 and 19 in Brussels. Aid for reconstruction was promised before and after the Dayton peace deal nearly two weeks ago aimed at ending the four-year conflict in the region.

France warned Crippling strikes may soon damage economy

PARIS, Dec 4: Government and business leaders warned France yesterday that crippling strikes spreading through the public sector would soon seriously damage the economy, reports Reuter.

"The consequences for weakened businesses in a faltering environment could be catastrophic," Industry Minister Franck Borotra said on Saturday, inviting unions to talk and warning of job losses if strikes drag on.

"Fifty per cent of the economic activity of small and medium businesses in the Paris region is blocked, and this means fragility for people's jobs," Borotra told LCI television.

Businesses were already suffering as shipments of raw materials and finished goods by rail were blocked. People stayed home rather than brave traffic-clogged streets to go to restaurants and cinemas or shop for Christmas presents.

"This will be a catastrophic month if the strike continues," said Philippe

Vindry, Chairman of Printemps Department Stores.

"When there is no public transport, there are no customers," said Jean-Michel Hallez, Director of the Galeries Lafayette China's main store in central Paris.

Store sales were running at about half the normal rate for the holiday season he told Reuters.

To help shops catch up, Paris Mayor Jean Tiberi asked the government to allow shops to open on Sundays during December, a City Hall spokeswoman said, adding that approval was expected.

Conditions looked certain to worsen in the week ahead, with strikes expected to spread to air travel, schools, public-sector agencies, health care and even the police force.

Unions were digging in against government plans to overhaul the cracking, debt-laden welfare system to bring down state spending, the central issue in the strikes.

9 councillors elected

DSE AGM held

The 34th annual general meeting of Dhaka Stock Exchange (DSE) was held yesterday, reports UNB.

Presided over by Chairman of DSE Khurshid Alam, the meeting approved the annual report and the audit report for last year.

Meanwhile, the election of the council of the Dhaka Stock Exchange was held on December 2.

Md Shahiq Khan, Imtiaz Husain, Khwaja Abdul Qudus, Ahmed Iqbal Hasan, Khurshid Alam, Md Abdul Huq Hawalader, MG Azam Chowdhury, Md Rakibur Rahman and M Shamsul Alam were elected councillors.

Indonesia will import a million tonnes of rice this fiscal yr

JAKARTA, Dec 4: Indonesia will import a million tonnes of rice in the 1995/96 budget year, according to an estimate by the head of the National Logistic Agency (BULOG), Beddu Amang, the Republik Daily reported Saturday, says AFP.

Amang, talking after a ceremony to appoint agency officials, said the imports were needed to boost stocks and offset the decrease in rice production the previous year.

"The imports this year are still lower than last year which reached 1.8 million tonnes," Amang said.

He said the imported rice came from Thailand, Burma, India and Pakistan.

BULOG manages its rice stocks as a buffer, releasing stocks when domestic rice prices are high and buying up stock when prices are low. Rice is the staple food of this world's fourth most populous nation.

Indonesia became self-sufficient in rice production in 1984 but occasional imports are needed.

Corrigendum

Due to unavoidable circumstances the dates for submission of applications for prequalification of contractors for Contract-1 (construction of intake and raw water pumping station in Lakhya river and twin culvert between Lakhya river and DND canal in Dhaka), Contract 3 (construction of culvert between DND canal and the Saidabad site) and Contract-6 (construction of primary transmission mains and a part of secondary network in Dhaka City) was postponed vide WASA PI-416/95 date: 16/10/95. The new date for submission of applications has been refixed on 15/01/96. The date for selling of prequalification documents has been extended up to 31/12/95 during office hours. It is expected that Invitation to Bid will be sent out to prequalified contractors in February/March 1996.

Other terms and conditions will remain unchanged.

WASA-P.I-521/95
D-1205

Chairman
Dhaka WASA

জীবন বীমা কর্পোরেশন

১৯৯৩ সন থেকে বর্ধিত হারে পলিসি-বোনাস ঘোষণা করেছে

লাভসহ সকল পলিসি বোনাস (প্রতি বছর প্রতি হাজারে)

আজীবন বীমা	টাকা ৪০.০০
মেয়াদী বীমার জন্য সর্বোচ্চ	টাকা ৩০.০০
তিন কিস্তি বীমার জন্য সর্বোচ্চ	টাকা ২৫.০০
গোষ্ঠী মেয়াদী বীমার জন্য সর্বোচ্চ	টাকা ২৫.০০

উদাহরণ

৩৫ বছর বয়সে ১৯৯৪ সনে নেয়া ২১ বছর মেয়াদী ১ লক্ষ টাকার বীমা পলিসিতে বার্ষিক ৪,৯৭০.০০ টাকা প্রিমিয়াম দিয়ে ১৯৯৪ সনেই বোনাস পাচ্ছেন ৩,০০০.০০ টাকা।

জেবিসি পলিসি মানেই আর্থিক নিরাপত্তা ও লাভজনক বিনিয়োগ

জীবন বীমা কর্পোরেশন
একটি রাষ্ট্রীয় জীবন বীমা প্রতিষ্ঠান

DFP-2952-29/11 C-1839



Raghib Ali, Vice Chairman of the Board of Directors of Southeast Bank Limited, seen opening the fourth branch of the bank at Laldighi in Sylhet town on Sunday.

Clinton admn asks Senate to ratify nine bilateral investment treaties

WASHINGTON, Dec 4: The Clinton administration has asked the US Senate to ratify nine bilateral investment treaties (BITs) with Albania, Belarus, Estonia, Georgia, Jamaica, Latvia, Mongolia, Trinidad and Tobago, and Ukraine, according to USIS.

The treaties are part of the administration's highly visible effort to promote US exports and boost the global competitiveness of US companies, US government and private sector experts say.

In turn, these treaties will make it more likely that the other countries will be able to draw in important foreign investment during a time when bilateral foreign aid is waning, they say. This is particularly impor-

tant for the emerging democracies of Eastern and Central Europe, Assistant Secretary of State Daniel Tarullo said on November 30 testimony to the Senate Foreign Relations Committee.

"These BITs... help provide our companies unique opportunities to participate in privatization programmes that are part of the reform process of these economies," Tarullo said in prepared testimony. "Our BIT programme helps advance our foreign policy goal of promoting the transition of the countries to democratic pluralism, the rule of law, and market economy."

BITs "are certainly not panaceas," Robert Hormats,

Vice Chairman of the investment firm Goldman Sachs, told the committee. "But they do represent a useful and important component... for emerging countries that seek to prosper in a world where prosperity depends heavily on a fertile investment environment."

Both Tarullo and Hormats cited the importance that the Ukraine BIT has for the region as a whole.

Since the inception of the BIT programme in 1981, the United States has signed 37 BITs, of which 21 are in force. By the end of 1994, US foreign direct investment in these countries amounted to approximately 26 billion dollars.

Making Dhaka Stock Exchange more attractive to investors

Any stock exchange must make plan to attract funds for itself. Dhaka Stock Exchange is no exception. This article deals with ways how DSE can attract funds and expertise for further growth.

Before we go further, let's take a look at what DSE is all about. Currently Dhaka Stock Exchange and Chittagong Stock Exchange are the two organised security exchanges. Over-the-counter markets or informal markets trading in unlisted securities does not exist at present.

DSE was first established in 1954 and currently has 195 members and 12 council members. 157 companies and 170 securities (six mutual funds and seven debentures) are listed. The Securities and Exchange Commission (SEC) established in 1994 is the regulatory body set up for the purpose of protecting the interests of investors in securities and the development of securities market. A select few dominate the country's financial scene. Bangladesh's top 10 companies represent about 60 per cent of market capitalisation. One should note that companies issue equity when they need funds, debt as an instrument for raising capital is insignificant. Since banks are conservative and often prefer excess liquidity (over and above the reserve requirements) rather than lending to a party they

do not have absolute confidence, equity is the only viable alternative for financing purposes.

Although DSE has shown tremendous growth in recent years, its total capitalisation is relatively low when compared to South Asian countries. It is interesting to observe that from 1992 to 1994, a mere two years, market capitalisation increased 225 per cent, up from Taka 12 billion to 39 billion. Of course 1992-1994 was an eventful period in Bangladesh financial markets and several events took place that helped this happen — the Securities and Exchange Commission was formed in 1993 and Article VIII obligations of the IMF were accepted in 1994. BAFEDA — a foreign exchange dealer's association was established in 1993. Full convertibility was also established in 1994. Overall, several liberalisation measures were enacted in this period. These reforms directly or indirectly brought about the high market capitalisation.

Let's look at some events that have positive impact on DSE. Foreign investment encouraged inflow of overseas funds into Bangladesh markets. Instead of being repatriated, they can be treated as new foreign capital. So non-residents are free to invest in DSE and in the new

unlisted public issues. These can be freely transferred. Although there are some restrictions, it is possible for foreign-majority firms or joint venture firms to borrow from Bangladesh banks. These reforms have been successful in encouraging foreign participation in the financial market.

However, foreign participation in DSE is tempered by lack of attractive issues. For example if a utility such as Bangladesh Telecom put in appearance on DSE, heavy foreign participation would almost be guaranteed. Bangladesh government should continue with privatisation — not only with smaller organisations but also make larger sectoral changes. Privatisation of telecom, railway, television, oil, energy and gas should be considered. Tax differentials between listed and non-listed companies should be increased (presently it is in the vicinity of 5 per cent) to increase participation.

Lack of liquidity on the DSE or in other words the ready conversion of securities into cash is thus a major problem. Legislation is relatively more lax in Bangladesh and poorly implemented. This results in concocted financial statements, false promises and insider trading.

As a result investors buy more heavily into large established companies. As discussed, top 10 companies account for 60 per cent capitalisation. Four largest brokers have 80 per cent of market turnover. This has serious implications in terms of market manipulation.

Worsening the liquidity problem is lack of information. Companies are not required to disclose information as extensively as they would be required to, say in the US, and this encourages corruption. It is often difficult for the average investor to get basic financial information about many listed or unlisted companies. Confidence does not run high in general for most companies. In fact, over-the-counter markets, even if established in Bangladesh would probably not succeed due to lack of investor confidence in management ethics. If stringent enforcement of regulations was combined with free information flow, the liquidity problem would be greatly helped.

As mentioned before, companies should be encouraged to be listed on DSE through tax differentials and other regulatory measures. Currently the family-business entities which dominate Bangladesh market are re-

luctant to risk loss of ownership and face the threat of takeovers. One of the reasons that corporations are formed is that corporations have easier access to funds. However, access to funds is not a problem for these family businesses and they have no incentive to incorporate. Also these individuals have a solid power base and wield political influence. As such, they are often privy to information about listed securities and have a greater chance to engage themselves in insider trading. The SEC Ordinance of 1969 did prohibit directors of listed securities from having holdings in their own securities but were free to hold securities of other companies. However, in a city like Dhaka, directors of different companies are well-acquainted with each other and have a greater chance of exchanging information related to other companies as well. Therefore holding of securities by directors of listed companies was prohibited on June 1, 1994 by SEC; however this has not been completely eliminated. Cases of fictitious owners of securities have also occurred as a means of circumventing legislation. Strict enforcement of current regulation is vital.

Information regarding debt status of firms as well as individuals is important. When directors of well-established

institutions are heavily in debt or are reluctant to repay it poses problems for the integrity of the institution. Proper separation of the entity; the corporation and the individual members of the management/board of directors should be maintained. The Credit Information Bureau established with the help of Bangladesh Bank currently provides some credit information. However, it is very hard to extract money from a debtor or to penalise him/her since the case can drag for years in court. Legislation should be introduced to make debt collection a quick process. Credit records should be established for companies, their issues should be regularly rated and proper scrutiny should be made of financial statements and the financial holdings of upper-management in order to improve the confidence of the public.

To sum up the following will help DSE: offering of attractive issues such as Bangladesh Telecom, discouraging the monopoly trend, encouraging lack of liquidity through stricter implementation of safeguards and improved information access on the stock exchange as well as in related areas.

(The author is a Lecturer of North South University.)