Stock markets fall over week as June final approaches

By Rafiq Hasan

Stock markets in Dhaka and Chittagong fell sharply last week in the wake of new budget announcement and loan re-adjustment in banks and financial institutions.

The All Share Price Index of Dhaka Stock Exchange declined by 56.16 points while All Securities Price Index of Chittagong Stock Exchange fell by 28.81 points over the week.

DSE market capitalisation fell by Tk 422.43 crore to Tk 9545.77 crore on Thursday from Tk 9968.20 crore previous week.

The declining trend which started in the later part of previous month continued throughout the week and pushed DSE All Share Price Index to 1141.34 points on Thursday, the closing day of the week.

Due to downward trend, the DSE Price Index suffered 19 points on Sunday, 18 points on Monday, five points on Tuesday, 29 points on Wednesday and three points on Thursday.

Though the market was down everyday, the volume of trade did not suffer much as on an average 3.32 lakh shares and debentures changed hands last week against the average transaction of 3.68 lakh stocks in the previous week.

The average value of trade declined to Tk 7.05 crore from previous week's Tk 8.33 crore.

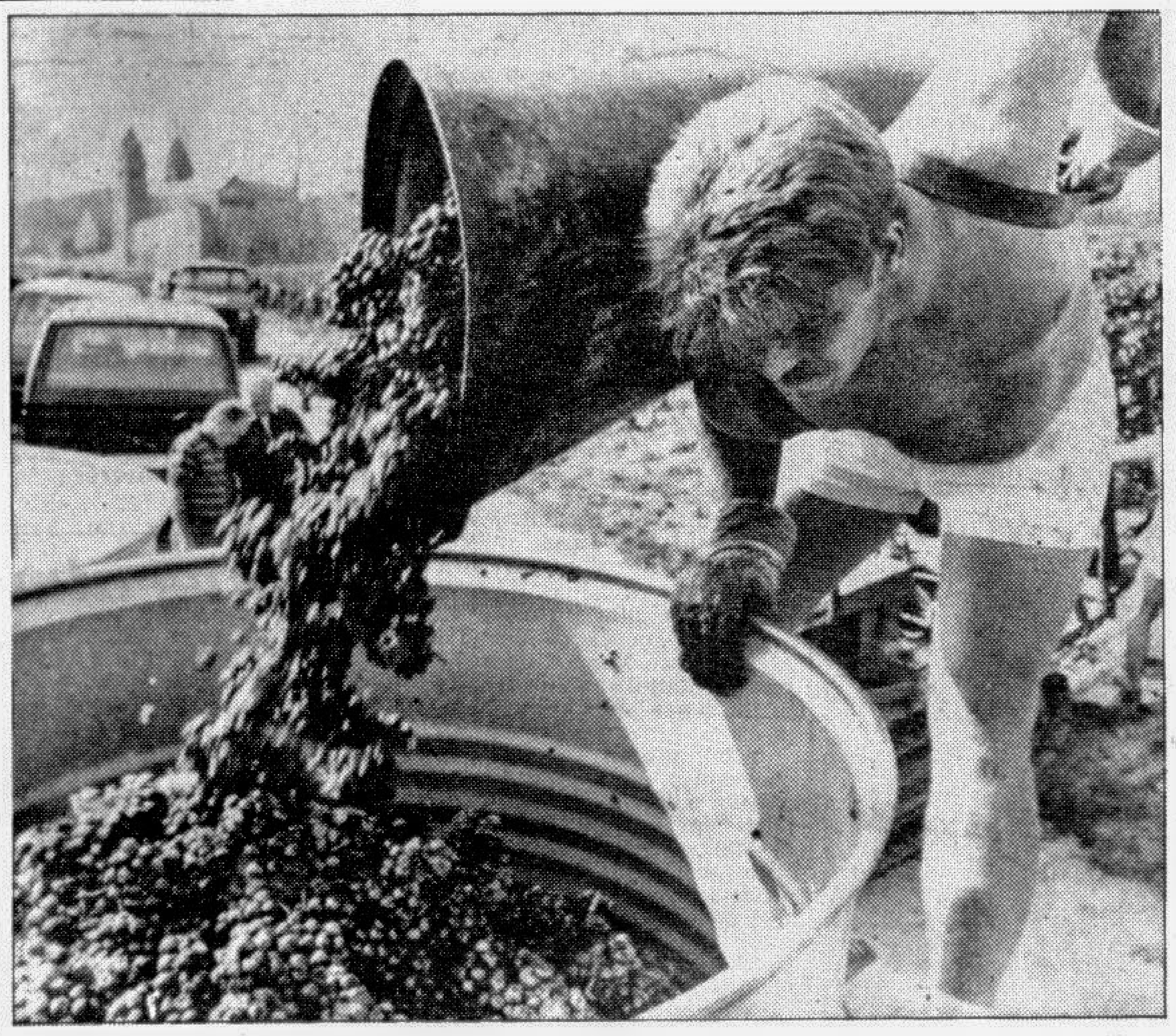
On an average, share prices of 35 issues rose, 91 fell and three remained unchanged among 136 traded issues everyday.

The All Securities Price Index of Chittagong Stock Exchange closed at 484.75 points from 513.56 points.

Its market capitalisation closed at Tk 7006.24 crore from previous week's closing position of Tk 7589.07 crore.

Persons related to the capital market observed that the market remained shaky in general due to pre-budget sentiment and loan adjustment in the banks and financial institutions.

Prices of most of the issues went down because of the lack of money supply in the market during financial year-ending period, they said.



The wine harvest in Germany's Rhine Valley. Around eight million litres of wine must is produced annually in more than 100,000 hectares of vineyards, including 746 hectares in the new states of eastern Germany.

—IN photo

Russia plans to demand payment of debts from foreign nations

MOSCOW, June 7: Russia plans to demand the payment of billions of dollars in debts from foreign nations, in particular Libya and Iraq, a top government official indicated Thursday, says AP.

The government is "seriously considering," the issue, said First Deputy Prime Minister Anatoly Chubais.

"It is abnormal when we cannot receive these funds," Chubais said at a meeting of the presidential advisory council, according to the Interfax news agency.

"It is too much of a luxury to forget, even for a while, these nations' giant debt to Russia," he added.

Libya owes Russia about 2.5 billion dollars and the Iraqi debt is estimated at 7 billion dollars to 10 billion dollars. Most of the debts were accumulated in the Soviet era, when Moscow saw those countries as client states and provided them with weaponry and goods without seeking immediate payment.

Iraq has said that it would be capable of repaying its debts to Russia after the UN sanctions against Baghdad are lifted. Russia has repeatedly urged that, hoping to see the return of its money and the implementation of major oil deals it had concluded with Iraq.

Chubais noted that political considerations were to blame for Russia's postponement of the debt question. "But now we are seriously discussing it."

China trade fair opens in New York

NEW YORK, June 7: China trade expo'97, the eighth of its kind ever held in the New York city since 1990, opened at Jacob K Javits convention center here yesterday, says Xinhua.

More than 1,000 kinds of Chinese traditional and newly developed products in 12 categories, including light industrial products, textiles and garments, machinery, electronics, electric appliance and equipment, native and animal by-products, cereal, oil and foodstuffs, arts and crafts, metal and minerals, metallurgical products, chemicals, petro-chemicals, are presented to American traders.

110 Chinese corporations and companies from 18 provinces, municipalities and autonomous regions have made full preparations with their abundant exhibits to welcome friends and business people from all over the United States to conduct business discussions and conclude contracts in the trade fair which is organized by China Council for the Promotion of Intentional Trade and China Chamber of International Commerce in cooperation with the International Pacific Exhibition Inc.

It was believed that the trade fair will make positive contributions to the further development of Sino-US bilateral economic and trade relations on the basis of equality and mutual benefits.

Filipino inflation dips to 4.2 pc in May

MANILA, Philippines, June 7: Stable food prices helped push the Philippines' inflation rate down to 4.2 per cent in May compared to a year earlier, a 10-year low, the government said Thursday, reports AP.

In April, inflation was 4.6 per cent. Inflation has remained under five per cent since the beginning of the year and at single-digit levels since mid-1996.

The inflation rate for food, beverages and tobacco, which have a hefty weighting in the consumer price index, declined 0.6 percentage point in May from a year earlier.

The May inflation rate was the lowest since June 1987, when inflation registered 4.0 per cent.

The National Statistics Office said a deregulation of the oil industry earlier this year has had little inflationary effect, contrary to some expectations. The inflation rate for fuel, light and water declined 1.5 percentage points in May from a year earlier, it said.

General Motors' US sale falls by 8 pc

DETROIT, June 7: Despite strong truck demand, General Motors Corp's US sales of light vehicles last month declined eight per cent from a year ago. GM blamed a seven-week strike at a key assembly plant for part of the drop, reports AP.

Among the major Japanese automakers that reported May sales Tuesday, Toyota Motor Corp posted a six per cent drop compared with a strong May 1996. Honda Motor Co said its sales increased five per cent with robust demand for its sport utility vehicles.

The results were in line with analysts' expectations. Demand for new cars and trucks generally has softened this spring after the unexpectedly robust pace of the first quarter.

"Consumer spending and personal income are leveling off and we're seeing signs of a second-quarter pause in the economy," said Yale Giesel, Vice President of Toyota Motor Sales USA Inc.

FAO DG warns

Further budget cut to reduce programme activities

ROME, June 7: The Council of the UN Food and Agriculture Organization (FAO) has convened to review the world food situation, according to a FAO press release.

The Council is its interim governing body between biennial meetings of the FAO Conference.

At the opening session of the council, FAO Director-General Jacques Diouf said the most important contribution expected from FAO in the wake of last year's World Food Summit, which adopted the Summit Plan of Action, was in the area of agricultural development. "In this connection, the Special Programme for Food Security in the low-income food-deficit countries which was launched — with your agreement — well before the Summit, will continue as one of the central pillars of FAO's action in the field. The ultimate goal, of course, is to improve living conditions of the poorest sectors of the rural population, particularly the women," said Dr Diouf.

FAO also launched a number of parallel initiatives to rally civil society and the decentralised institutions and in so doing to build upon the momentum that was generated by the Summit.

The FAO Director-General also disclosed plans for a worldwide audio-visual event dubbed TeleFood, which he said was "designed, first, to hold the decisions taken at the Summit in the public eye and, second, to invoke the solidarity of all people concerned about the problem of hunger in the world."

Dr Diouf proposed a zero real growth budget of 689 million dollar for 1998/99, which would cover cost increases of 39 million dollars. But, for the first time, he also presented the Council two alternative scenarios : a 700 million dollars real growth budget and a zero nominal growth budget of 650 million dollars which would require FAO to absorb the 39 million dollars in cost increases. However, Dr Diouf also warned that there were limits to efficiency savings and said that a budget of 650 million dollar would entail programme cuts.

In October 1995, the Conference handed FAO a two-year budget of 650 million dollars — versus the no real growth budget of 707 million dollars which had been requested. Much of this reduction was possible because of major improvements in efficiency and in reductions in administrative costs — in fact, 70 per cent of the total reduction was covered by these savings.

In his introduction of the "Summary Programme of Work and Budget 1998-99," he said it was clear that the zero real growth scenario and the real growth scenario would entail increased assessments, but said: "Equally clearly, the zero nominal growth scenario would entail no increase in assessments, but carries a price in terms of substantially reduced programme activity and substantive output for the benefit of the membership.

Saudi shipping co suffers $ 2.13m in 3 months

ABU DHABI, June 7: Saudi Arabia's biggest shipping firm said Monday it suffered from losses during the first quarter of 1997 although they were lower than in 1996, reports AFP.

The National Shipping Company of Saudi Arabia (NSCSA), the second largest petrochemical transporter in the world, said losses stood at eight million Saudi riyals (2.13 million dollars) in the first quarter.

This compares with a loss of 20 million riyals (5.33 million dollars) in the same period of 1996 and a record loss of 77.6 million riyals (20.7 million dollars) through last year, the company said.

"There has been an improvement in performance and production in the company's operations this year," said the statement.

It said NSCSA's general assembly would meet Tuesday to discuss the disappointing results in 1996, which marks the end of the first five-year development plan. The plan included expansions in the fleet and services.

In April, NSCSA said the losses last year were caused mainly by a decline in lease rates for the five oil supertankers it has recently purchased from Japan as part of the expansion plans.

ASEAN, Russia launch joint economic committee

MOSCOW, June 7: Russia and ASEAN launched a joint committee here today to boost economic cooperation, with Moscow hoping for investment in impoverished eastern Siberia while the South-East Asian grouping aims to tap Russian scientific know-how, reports AFP.

At a two-day meeting Russian government officials and businessmen mapped out areas of future cooperation with delegations from the seven members of the Association of South-East Asian Nations (ASEAN), Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

"From ASEAN's perspective, we think there are a lot of opportunities and potential for cooperation," Nguyen Manh Hung, head of Vietnam's national ASEAN committee, told reporters.

Hung, who is also co-chairman of the new Russia-Asean committee, said Russia had "huge scientific and technological potential," and therefore the first working group to be set up under the new committee would cover science and technology.

Russian Deputy Foreign Minister Grigory Karasin, the other co-chairman, said Moscow was hoping for investment from ASEAN countries to develop the trans-Baykal region in eastern Siberia and the Far Eastern Primorye region, which are in the economic doldrums.

Cooperation with ASEAN "is above all aimed at tackling social and economic tasks in Siberia and the Far East — that is very logical, as two-thirds of Russia lies in Asia," he said.

"We hope our trade turnover will reach several billion dollars."

The most promising areas of cooperation would include energy projects, rail and road transport, and science and technology, Karasin said.

"The large (Russia) firms interested in doing business in the Asia-Pacific region understand how promising it is, this is a very healthy element in our own trade and economic practice — when the government paves the way for our companies to cooperate in a whole region."

He said economic cooperation would probably take the form of three or four pilot projects at first.

Officials from the Russian ministries for the economy, external economic cooperation and trade, science and technology, transport and emergency situations were among those attending the meeting.

Russia and ASEAN will soon set up a business council to promote business contacts and a joint cooperation fund has been started, Karasin said.

Russia, China and India joined a wide-ranging dialogue with ASEAN at the Jakarta summit of the grouping last July.

In Jakarta, Russian Foreign Minister Yevgeny Primakov said Moscow planned to set up special economic zones in Siberia and the Far East of the country to boost development and promote ties between the two regions and the Asia-Pacific rim.

Russia's trade with ASEAN countries already includes arms sales. Vietnam, formerly a close ally of the Soviet Union, is a major customer for Russian arms.

WB okays $885m loan to Russia

WASHINGTON, June 7: The World Bank today announced the approval of six loans totalling 884.6 million US dollars to back Russia's ambitious reform programme, says Xinhua.

The loans will be used as a first step to help strengthen economic stability and foster improvements in education, health, economic analysis, enterprise restructuring and the wholesale electricity market.

The World Bank's funding includes a 600 million dollar loan for structural adjustment, which will help the government focus on a range of sectoral reforms to promote renewed economic growth while maintaining a economic stability.

Since Russia joined the World Bank in June 1992, the bank's commitments total approximately 7.5 billion dollars for 36 projects.

US to oppose relaxation of ban on ivory trade

WASHINGTON, June 7: The United States will strongly oppose any attempt by African nations to resume trade in rare African elephant parts, Clinton administration officials said, reports AP.

Some environmental groups have raised concerns over a call by Zimbabwe and two of its neighbours, Namibia and Botswana, to resume limited commercial trade in elephant ivory.

Protection of the African elephant is expected to be the most contentious issue facing the 136 delegates meeting next week in Zimbabwe at the Convention of International Trade in Endangered Species. The group, known as CITES, imposed a trade ban on African elephant parts in 1989.

Deputy Interior Secretary Don Barry, who will head the US delegation, said Tuesday the United States will oppose any changes that would allow even limited resumption of trading in African ivory.

"These proposals would pose unacceptable risks to elephant populations," the Interior Department said in a statement.

Zimbabwe, Namibia and Botswana, arguing that their elephant herds are now thriving, have said they will ask the conference to allow a controlled resumption of ivory exports to Japan. Any change in the 1989 ban would require a two-thirds vote by conference delegates.

Environmental groups contend that easing the restrictions would send the wrong signal to poachers and lead to the killing of thousands of elephants throughout Africa.

Egypt supports setting up of Arab common market

BEIRUT, June 7: An Egyptian diplomat stressed here yesterday his country's support for the establishment of an Arab common market aimed at counteracting what the Arabs fear of an Israeli economic hegemony in the Middle East region, reports Xinhua.

Adel Al-Khodri, Egypt's Ambassador to Lebanon, met with Lebanese foreign minister Farez Boueiz in the latter's office yesterday.

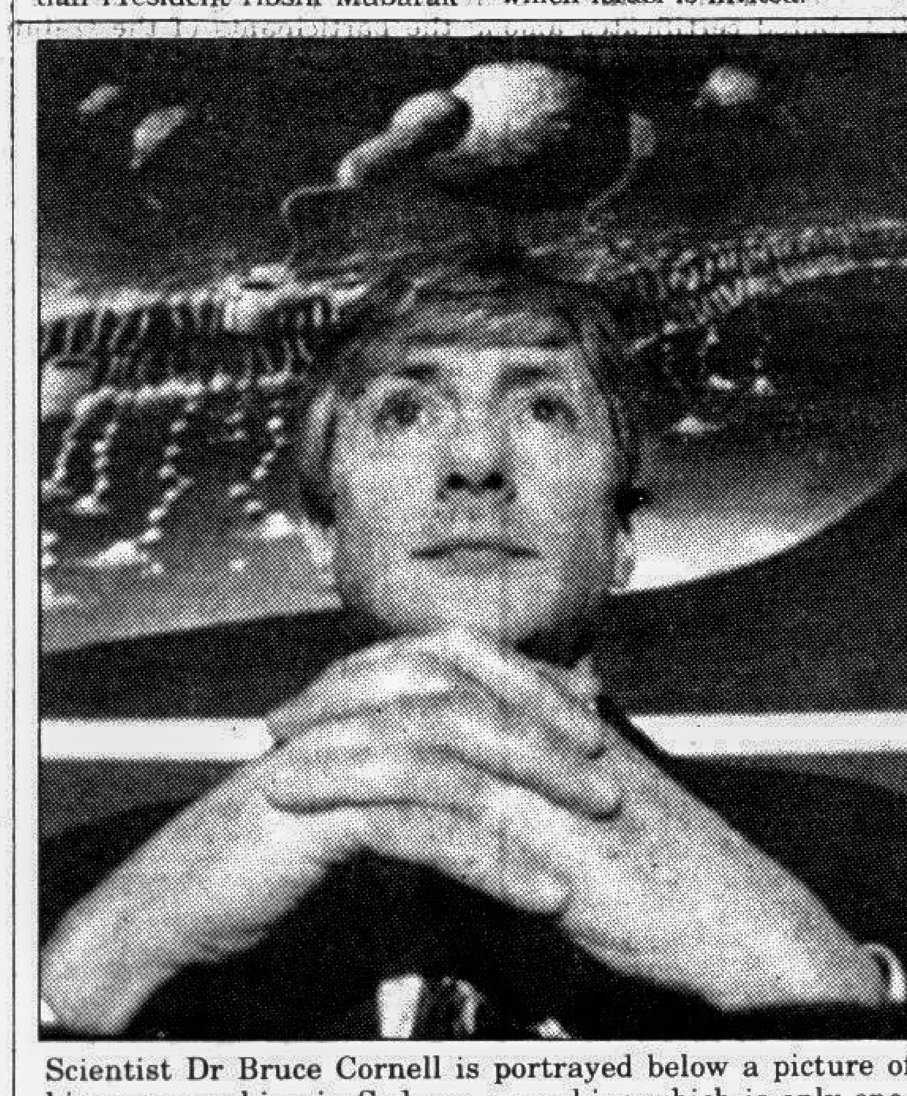
He said after the meeting that the discussions were "concentrated on the Arab economic coalition" mentioned by Syrian Vice-President Abdel Halim Khaddam here Thursday.

"We in Egypt are totally supporting the establishment of an Arab common market," Al-Khodri said, adding that Egyptian President Hosni Mubarak is doing his best "to push the idea."

He said that the Egyptian government has begun seriously thinking about the idea after it was put forward at first by Arab parliamentarians.

The Egyptian envoy said that the idea is currently being studied by Egypt and Syria in detail and the two countries will present it, as the first stage, to a conference of the Damascus declaration states, which is to be held in the Syrian capital on June 25.

But the diplomat denied that his country has taken a position on an Arab economic conference, which was raised by Syria to replace the Middle East economic summit scheduled for November in Doha, Qatar to which Israel is invited.



Scientist Dr Bruce Cornell is portrayed below a picture of his nano-machine in Sydney, a machine which is only one-billionth of a metre in size and promises to revolutionise how diseases are diagnosed. The breakthrough came after a 10-year research programme led by Australian scientists developed an ultra sensor so small that it can't be seen without an electron microscope.

—AFP/UNB photo

Asia business briefs

TOKYO, June 7: Japan's household spending in April was 343,300 yen (2,960 dollars) per household on average, down one per cent from the previous April in real terms, the government said Thursday.

The Statistics Bureau of the Management and Coordination Agency told reporters that household spending dropped in April mostly as a result of a correctional drop to a large spending increase in March ahead of the 2.0 per cent consumption tax rise to 5.0 per cent beginning April 1.

But despite the drop, the April data confirm that consumption remains in a mild recovery, the official said.

He said spending in April and May 1996 were sluggish due to unusually cold weather. Next month's spending numbers may get a boost as a result of the previous year's low numbers, he said.

MANILA: Philippine exports of computer parts soared more than 900 per cent in Aprils, helping the country's exports grow 39.6 per cent from a year earlier to 2.1 billion dollars the government said Thursday.

Exports the previous month totalled 2.0 billion dollars.

Electronics goods and components continued to top the list of Philippine shipments, accounting for 913.4 million dollars in April, or 48 per cent more than a year earlier, the National Statistics Office said.

The United States was the top destination of Philippine exports, accounting for 34 per cent of total receipts. Japan came in second with 16 per cent and Singapore was third with eight per cent.

For the four months through April, exports totaled 7.6 billion dollars, up 22.8 per cent from the same period a year earlier, the government said.

Import figures are announced separately by the government each month.

In March, the country's trade deficit widened to 934 million dollars from 814 million dollars in February.

JAKARTA: Indonesia wants a consortium of foreign donors to provide a low-interest loan of five billion dollars for infrastructure, human resource development and poverty alleviation projects, a cabinet minister said Thursday.

Ginanjar Kartasasmita, the minister for national development planning, said he would make the loan proposal at the World Bank's Consultative Group for Indonesia at its annual meeting in Tokyo in mid-July.

Last year, the group pledged 5.26 billion dollars in aid and soft loans to Indonesia.

The group comprises Australia, Austria, Belgium, Britain, Canada, Denmark, Finland, France, Germany, Italy, Japan, New Zealand, Norway, South Korea, Spain, Switzerland and the United States, along with the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development the Nordic Investment Bank and the Islamic Development Bank.

BEIJING: Italian Premier Romano Prodi, who is visiting China to promote economic and trade ties, looked on as Chinese and Italian companies signed an agreement for joint oil production and exploration.

The ceremony occurred Thursday, the day that Prodi arrived in Beijing with Italy's trade minister, Augusto Fantozzi, and a business delegation.

In a meeting with Premier Li Peng, Prodi said Italy would use the "technology of tomorrow" to help China modernise and would work to advance overall relations with China, the China Daily reported Friday.

The oil agreement is between China National Petroleum Corp. and AGIP, a unit of Italy's state energy holding company, Ente Nazionale Idrocarburi SpA.

It sets up a 50-50 partnership, called CHINAGIP Overseas Petroleum B V, that will cooperate in the development of hydrocarbon resources in third countries, a statement said.

"It is the first time that a Western oil company has signed an agreement of such strategic importance with China," the China Daily said.

The two sides hope to expand into Africa, the Middle East and Central Asia with the new company, which will be incorporated in the Netherlands. Terms of the joint venture were not disclosed.

HANOI: State-run Vietcombank suspended to senior executives for suspected links to a loan scandal involving Vietnam's troubled Minh Phung company, official media reported Friday.

Vietcombank Ho Chi Minh City branch deputy director Nguyen Ngoc Bich and the bank's credit department head, Pham Thanh Tung, are suspected of helping push through a series of questionable loans for Minh Phung.

Bich and Tung also stand accused of providing a number of questionable loans to other private companies, the state-controlled Labour newspaper said.

Vietcombank suspended the executives after several loan recipients, including Minh Phung, defaulted on the payments, Labour reported.

Minh Phung, once one of Vietnam's brightest private sector success stories, is now embroiled in a loan scam that has already led to the arrest of 23 company and subsidiary executives, including founder and director Tang Minh Phung.

— Source : AP

India's financial sector yet to shake off spectre of fraud

T T Ram Mohan writes from Mumbai

A major finance company failure has convulsed the Indian financial sector in recent weeks, raising fresh concerns about whether the nation's supervisory mechanisms are at all equal to the challenges of deregulation.

The latest convulsion has been caused by revelations that a leading finance conglomerate, the CRB Group, has gone bust, sinking billions of rupees belonging to investors. As reports about the group's precarious financial condition appeared in the media, angry investors stormed the closed gates of the CRB Group's office in Mumbai and marched to the offices of the Police Commissioner and the Reserve Bank of India, demanding that their investments be recovered and that stringent action be taken against officials whose lax monitoring allegedly allowed the CRB Group to hoodwink investors.

Even as the regulatory authorities work overtime to unravel the CRB Group's dealings and to recover institutional and retail funds raised by the group, early estimates place the amount of investor funds put in jeopardy at around Rs 3.5 billion. There have been reports suggesting that securities offered as collateral by the CRB Group to various banks may have been inflated in value and that investor losses could be well above the present estimate. The founder of the Group, C R Bhansali, is yet to be traced and there are unconfirmed reports that he has fled the country with his family.

The collapse of the financial empire of C R Bhansali, who prefixed a stylish 'Dr' before his name, has been as dramatic as its rise to pre-eminence in recent years. In just about five years or so, Bhansali emerged from virtual obscurity to set up a financial group with a net worth of around four billion rupees and assets of over six billion.

The group's interests included a brokerage, a mutual fund, investment banking, leasing and custodial services. The CRB Group had even managed to obtain approval from the RBI to set up a bank (which was to be headed by a retired Managing Director of the State Bank of India, the nation's leading bank) until its license was cancelled a few months ago when reports about irregularities in the Group surfaced. Another achievement of the Group was a joint venture securities operation with the famed Daewoo Group of South Korea.

The CRB Group's public relations exercises included high-profile seminars attended by leading personalities in the financial sector and equally impressive charities.

What caused the bubble to burst will be known with certainty only after the regulatory authorities complete their investigations but indications are that the group fell into a classic liquidity trap caused by high-cost borrowings and rampant speculation. Diversion of funds for personal use, the bane of Indian business, also appears to have been a factor, going by media reports. The Group is believed to have raised funds at an annual cost of anything over 24 per cent, with large amounts finding their way into the stock market and property. With both these markets turning sluggish over the past two years, the Group sank into a quagmire. Its mutual fund corpus of Rs 2.5 billion is estimated to have fallen to a little over one billion rupees.

Retail investors who subscribed to the mutual fund or lent money by way of fixed deposits to the CRB Group are an angry lot. Mutual fund investments are a risky proposition anywhere in the world, while fixed deposits from the public are not secured by assets in India. As a result, it is institutional investors who will have priority over any asset sale that may be organised by the official liquidator. Delegations of retail investors, led by local politicians, have met with the top officials at the Reserve Bank of India to demand that a scheme be devised whereby they get a fair share of the whatever is left of the CRB Group. Legally speaking, it is hard to see how this can be arranged.

The regulatory authorities are facing flak from investors, the media and politicians for lax supervision. Investors say that the RBI, whose rules do not permit the leading industrial houses of Tata or Aditya Birla to set up a bank, was stupid to confer respectability on the CRB group by granting it "in principle" approval to set up a bank. The Securities and Exchange Board of India is being faulted for not having given publicity to an inspection report it prepared last year that pointed out various irregularities in the operation of the CRB Group and for not cracking down hard enough on the Group.

Leading credit rating agency, CARE, a subsidiary of the Industrial Development Bank of India, has aroused investors' ire for not only giving the group's borrowings a high rating but for persisting with the rating even when the market was abuzz with stories about the group's problems. Among the institutional losers could be the State Bank of India, which was apparently slow to wake up to a fraud perpetrated by the group on the bank.

The big worry for the Indian government must be the signals that repeated financial scandals send out to investors, both in India and abroad. The securities scam of 1992, which involved massive diversion of bank funds into the stock market, sent the market into a tailspin from which it was slow to recover. A subsequent scandal relating to the issue of fake stock certificates must have caused several overseas institutional investors to ask themselves whether the Indian stock market was a worthwhile investment destination. And the miserable performance of hundreds of low-cap stocks, any of them brought to the market by fly-by-night operators, created a serious crisis of confidence in domestic investors. Such scandals end up penalising well-run companies by driving investors away from the capital market.

The CRB episode throws into sharp relief once again the dilemmas facing economies that with to liberalise and deregulate. Deregulation of the financial sector makes for greater competition, but it also means greater risk. Keeping risks under control requires sound rules for players and strong supervision to ensure that the rules are observed and deterrent punishment of those who flout rules. India's framework for the financial system is hard to find fault with but the Indian bureaucracy has yet to demonstrate that it is equal to the task of enforcing rules without fear or favour.

But the bigger problem, really, is the lethargic ways of the Indian judicial system which allow well-heeled offenders to flout laws in the knowledge that it could take decades for justice to catch up with them, if at all. Five years after the securities scam of 1992, the special court proceedings still drag on, without any early end in sight. India must take law enforcement a little more seriously if white collar crimes are not to be devastate the financial sector and undermine investor confidence in the Indian economy.

— *India Abroad News Service*