


SANYO
Air Conditioners
Sole Distributor in Bangladesh
Transfin Trading Limited
100, Kazi Nazrul Islam Avenue, Dhaka-1215
Telephone: 815306-09, 819625-29, Fax: 813062

The Daily Star

BUSINESS


HYUNDAI
CARS THAT MAKE SENSE

DHAKA WEDNESDAY, MAY 20, 1998

DSE slaps suspension on 17 securities

Police were called out yesterday to disperse agitated kerb market operators who went charging the SEC officials to protest the market's hitting a new low in a continuous slide.

An emergency DSE Council meeting decided to suspend trading of 17 companies in a response to the agitation and the plunge.

Some 20 to 22 people were shouting and chanting slogans on the 15th floor of the Jiban Bina Tower where the SEC's chairman and members have their seats, SEC officials said. They were chanting slogans and demanding immediate suspension of trading on the floor of the Dhaka Stock Exchange (DSE), the officials said.

They handed over a memorandum to SEC member Faizuddin Ahmed and left quietly after police had arrived at the scene.

In the memorandum, they

Index plunges to new low. Kerb market men call Dhaka bourse a casino: Police called in to quell protesters at SEC: Regulator points finger at scamsters

By M Shamsur Rahman

called the DSE a casino and urged the SEC to suspend gambling, SEC officials said.

The index was down to a 51-month low on the day.

The benchmark DSE All Share Price index nosedived by four per cent to 531.65 points beating 533.65 points on February 2, 1994 when the number of listed companies were only 153 with a total market capitalisation of Tk 2427.72 crore.

Earlier on the day, the kerb market traders also staged a demonstration in front of the Dhaka Stock Exchange (DSE) chanting slogans against current DSE leadership for its fail-

ure to bring stability in the market. They also demanded immediate suspension of trading on the floor.

They later handed over a similar memorandum to the DSE Chairman Rakibur Rahman.

The DSE chief later on called an emergency Council meeting, when they decided to keep trading of 17 companies suspended from Wednesday (today), whose prices have plunged by more than 10 per cent yesterday.

The meeting also decided to ask the companies to come up with disclosures, if any,

day prohibiting short selling and carry forward.

The DSE councillors at a meeting with the capital market watchdog have demanded introduction of the system to bring stability in the market, which they say will bring transparency in trading and help restore investors' confidence.

The SEC has agreed in principle to allow the new mode of settlement, officials said. And an SEC Board meeting is likely to give formal approval to the new system.

Senior SEC officials are however doubtful about any

long-term positive impact on the market.

The market did respond positively when the draft of the new mode of settlement system was disclosed. But I doubt whether there will be any long-term stability with the adoption of the new system," a top SEC official said, requesting anonymity.

The official also charged "certain quarters" with trying to depress the market intentionally. "A particular group of people being tried in the court are trying to bring down the market to create pressure on the government for withdrawal of

cases against them," the official said.

Asked, DSE Chairman Rakibur Rahman, one of the accused, denied having put any pressure or exerting any influence on the authorities. "I am not aware of any such thing. I have not heard anything of this kind," Rakibur Rahman said.

He, however, hoped that the market would improve following the introduction of the new system.

The new settlement system came in the wake of DSE's plea to allow it to return to T+4 rolling settlement instead of twice-a-week netting currently

practiced in DSE.

The SEC, responding to the DSE plea, asked a seven-member committee on March 5 to review trading and settlement system of the bourses. It took 55 days for the committee to recommend a uniform trading system for both the exchanges.

The Chittagong Stock Exchange (CSE) sought time from the regulators before admitting the new system.

The CSE said the new settlement system could cause some problems as it was not ready to introduce a "wide area network" which would allow on-line, real-time trading in three major cities - Chittagong, Sylhet and Dhaka.

"Since the new system requires quicker settlement and it would be very difficult for CSE without the Central Depository System," CSE was quoted to have told the SEC.

Workshop on garments fashion forecast held

Star Business Report

A workshop on "garments fashion forecast spring/summer 1999" was jointly organised by the Dhaka Chamber of Commerce and Industry (DCCI) and The Netherlands-based Centre for the Promotion of Imports from Developing Countries (CBI) at the DCCI auditorium yesterday, says a press release.

The workshop was open to all concerned with the export of readymade garments from Bangladesh.

It was particularly tailored to meet the training needs of the representatives from the small and medium-sized garments companies who do not have enough experience with exports to Europe.

The opening session of the workshop was chaired by the DCCI President R Maksud Khan while the workshop was conducted by CBI consultants H Hunink, a specialist in marketing, and H Van Den Broek, a designer.

Welcoming the CBI Consultants and the participants in the workshop, DCCI President said the CBI and Bangladesh have been good partners for a long time and in particular, CBI has an excellent working partnership with the DCCI for the last three years adding that CBI has been helping Bangladesh to introduce them to the European market.

Referring to garments and apparel fashions, DCCI President said fashion is changing rapidly and unless we can keep pace with the changing fashion and taste of the people, we shall lose competitiveness and eventually lose markets. In this connection he pointed out the importance of value addition for sustainable growth of the industry.

In his brief speech at the opening session CBI Consultant H Hunink said the demand for products is there but the important things is to understand the requirements of the buyers.

The workshop covered the areas on safety requirements (AZO-free dyes), environmental issues, social aspects and child labour.

At the afternoon session, CBI Consultant, H Van Den Broek, explained fashion forecasts to the participants.

In all 42 garments companies took part in the workshop.

India-based French businesses show interest in Bangladesh

Star Business Report



Mahbubur Rahman, President of ICC Bangladesh, talks to the mission of French Business Group based in India.

The Bangladesh chapter of International Chamber of Commerce has advised a high-powered French business mission, currently visiting Bangladesh, that there were many lucrative sectors for them to invest and receive good returns.

ICC, Bangladesh President Mahbubur Rahman while welcoming the delegation comprising India-based French businesses said Bangladesh was an excellent place to invest in and do business for the overseas entrepreneurs.

The business environment for foreign companies in Bangladesh is excellent and 14 foreign banks including two French banks and many multinational companies have been operating in Bangladesh ever since the days when Bangladesh had a trade restrictive regime," Rahman said.

ICC members told the French team that joint ventures in banking and financial sector, foreign trade finance, sugar refining, shipping, leather, textiles, power and gas sectors would be suitable for them.

Headed by Jean-Charles Rouher, minister councillor for economic and commercial affairs at the French Embassy in India, the team was awarded a warm reception by the ICC board members yesterday in the city.

The visit of the French group after the economic sanctions on India by the US and other countries is seen as an important event for Bangladesh.

The mission members said they would like to expand their businesses in the region. They said they would prefer banking along with setting up joint ventures in other profitable sectors.

Jean-Charles Rouher said economic cooperation between Bangladesh and France could be expanded through an increased interaction between the French and Bangladesh entrepreneurs.

SAARC urges WTO to reject new forces of protectionism

GENEVA, May 19: Commerce ministers of South Asian Association for Regional Cooperation (SAARC) yesterday called upon the World Trade Organisation (WTO) to reject the new forces of protectionism that came in the form of wide-ranging non-tariff barriers, reports PTI.

The SAARC comity of nations comprising India, Pakistan, Sri Lanka, Bangladesh, Nepal, Maldives and Bhutan adopted a declaration at the WTO second ministerial meet, rejecting western concerns on environment, social conditions, labour standards as new barriers to trade.

The meeting was chaired by Pakistan Commerce Minister India had taken the lead at the Islamabad SAARC trade minister meet last month to have a common stand in dealing with WTO related issues.

The declaration said that the

CSE's Meet the Investors programme concludes

A five-day 'Meet the Investors' programme of Chittagong Stock Exchange (CSE) concluded in the city yesterday, says a press release.

Organised by Rapport Bangladesh Ltd at IJO auditorium, the programme featured 15 sessions of mock trading on CSE's automated screen-based trading system which was participated by leading industrialists, bankers, business executives, doctors, engineers, brokers, students, social workers and housewives.

The software has been installed at the CSE and the authorised representatives of 128 brokerage houses of Chittagong are holding mock trading using 31 computers of the exchange.

The programme was to make the people of different strata of society in the capital aware of the screen-based trading system of CSE. They will be able to conduct business through 22 brokers of the exchange based in Dhaka.

The software installed at the bourse ensures 100 per cent transparency as each investor will be able to know all the authentic information about the transactions from his/her dealer and broker, which can be counter checked with the CSE, said AGM Shamsul Kamal, Chief Executive Officer of the CSE.

There will be strong on-line surveillance so that no broker or dealer will be able to do any manipulation. Securities Exchange Commission (SEC) will be able to do the surveillance from their own office, he said.

Communication with Chittagong would be through VSAT with the back-up of dedicated lines to ensure 100 per cent protection against failures, said the CSE chief executive.

All the brokers and dealers, whether located in Dhaka, Chittagong, Sylhet or any other place of the country will be able to see the transactions simultaneously to the second and will be able to operate absolutely instantly.

There will be computerised documentary evidence of all the transactions of the dealers and brokers and their investors with proper identification of each.

Lack of decision impedes privatisation of SOEs

Bureaucratic tangles and lack of decision have impeded the privatisation of state-owned enterprises (SOEs) which bled white the nation with a huge loss of Tk 42,000 crore, reports UNB.

Expensive seminars and costly trips abroad by officials in the name of acquainting themselves with the privatisation process in other countries have added to the burden on the exchequer.

"Many of us do not have any work now," said an official of the privatisation Board, manned by more than 100 people and headed by an industrialist with the status of state minister.

"We have completed the ground work for off-loading 32 out of 113 state-owned enterprises to be sold out in phases. But the process of privatisation remained stuck up in absence of

decision at the higher level", added the official requesting anonymity.

Despite the government commitment and an apparent consensus among major political parties, the privatisation process has not got the momentum.

Since its inception in March 1993, the Privatisation Board sold out only 12 SOEs till June, 1996, at a rate of four per year.

Compared to the first three years, the Board's performance is better in the last two years as it has "almost finalised" the privatisation of 18 SOEs, the Board claimed.

But so far only four of them were actually handed over to the private sector. These are IK Industries Chittagong, Firoza Flower Mill Khulna, Royal Textile Bandarban and Bangladesh Cold Storage Munshiganj.

Nine others, including

Reckitt and Colman, National Tubes and Eastern Cables, were put on sale in share market, and four others are in different stages of privatisation.

Tender will be floated again for Deshbandhu Sugar Mills in Narsingdi as the first bidder has lost interest.

The Board completed the formalities for off-loading three more SOEs - Bangladesh Steel Industries Ltd, Tejgaon, Lira Industrial Enterprises Tongl and Kohinor Battery Manufacturing Company Tongl. But court injunctions stayed the process.

The Board has floated tenders for 11 more SOEs, and received approval of the cabinet committee on economic affairs four months back, but is now awaiting approval of the Prime Minister, who holds the Board under her jurisdiction.

An official of the Board told

UNB last week that the PM's office will approve the issuance of Letters of Intent against two of the 11 SOEs.

No decision will be given about the rest nine enterprises until the unused lands are separated from those industries, he said adding that but the Board has not yet received any official order from the PM's office.

This is the present status of 32 SOEs which were finally selected for off-loading. Another 54 SOEs are earmarked for privatisation this fiscal year ending on June 30, Board sources said.

They informed that steps are being taken to exchange ownership of three state-owned industries within the government agencies. Khulna Shipyard will be given to the Navy, Gazipur Machine Tools to the Army and Bangladesh Diesel Plant to the BDR.

Although the Board does its job quickly, delay in getting approval from higher authorities slows down the whole process, complained another official.

After Kazi Zafarullah took over as chairman, the Board activities got momentum and officials were found working till late in the evening.

The Privatisation Board cannot take decision on its own to sell out an SOE, the official pointed out. He, however, hoped that the process will speed up and become more transparent and easier, if the new draft law, prepared by the Board, is enacted.

The Board arranged a series of seminars, where political parties and trade unions had agreed in principle on the urgency of privatisation.

It also sent out delegation, comprising trade union leaders, to New Zealand, Malaysia and

Singapore to study the privatisation situation there.

But the outcome is "not satisfactory," said a Board official.

The trade union leaders argued that the context of Bangladesh is different from the countries they visited. So, privatisation in Bangladesh will not be an easy task like what they saw in those countries.

"Even the labour front of ruling Awami League sometimes becomes a problem," he said.

The gross loss from the government-owned enterprises in the last 21 years will amount to nearly Tk 42,000 crore.

About 500 government-owned industries were either sold out or returned to former owners between 1976 and 1992.

The government identified a total of 113 state-owned enterprises to be off-loaded in phases.

US-EU accord on trade with Cuba, Iran, Libya

LONDON, May 19: US President Bill Clinton has reached a deal with European leaders to ease US restrictions on multinational companies doing business with Cuba, Iran and Libya. Republicans back home immediately challenged the agreement, reports AP.

Under the steps announced by Clinton, the administration would grant permanent waivers to the 1996 Helms-Burton Act, which imposes US sanctions against foreign companies that do business with Cuba. Clinton said he also would seek to ease a section of the law that denies US visas to executives of those companies.

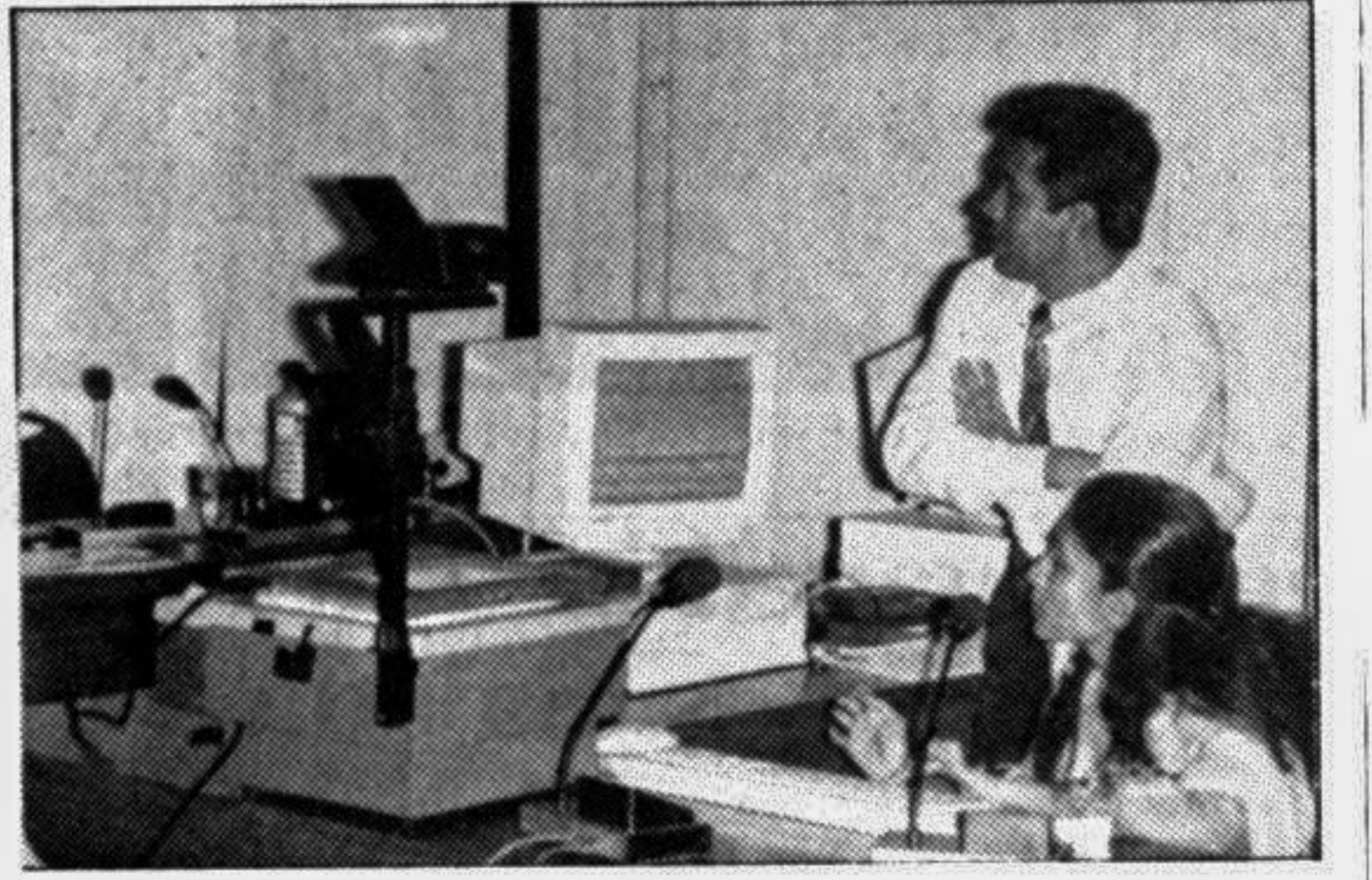
In exchange, members of the 15-nation European Union agreed to join in creating a global registry of property confiscated by Cuba and other governments that would remain off-limits to investors.

A senior Clinton administration official, speaking on condition of anonymity, said the EU members had agreed "not to upgrade their political or economic relations with Cuba until or unless Cuba improved their human rights and democratic record."

In a statement, Iran's mission to the United Nations said the US sanctions have been rejected by many countries.



Acting President of FBCCI, Md Shafiqul Islam, addresses a workshop in Promotion of Small and Medium Enterprises in Bangladesh under WTO Regime organised jointly by the Chamber and German Confederation of Small Business & Skilled Crafts in the city yesterday. FBCCI EC member Abdul Haque (4th-L) and Secretary Syed Jamal Uddin (5th-L) are also seen.



Mock trading goes on at the IJO auditorium where the Chittagong Stock Exchange showcased its automated screen-based trading system, the second in South Asia.

'Pak economy may not be able to sustain impact of sanctions'

KARACHI, Pakistan, May 19: Pakistan would be better off economically if it opts not to match last week's nuclear tests by its arch-rival India, analysts said yesterday, reports Reuters.

They said Pakistan might not be able to sustain the economic impact of sanctions similar to those slapped on India by the United States, Japan and some European countries, if for political reasons the country carried out a nuclear test in the next few weeks.

"Pakistan's economic reliance on external aid and loans is more than that of India and, speaking purely in monetary terms, Pakistan cannot afford sanctions similar to those imposed on India," said Ja-

hanzeb Naseer, head of research at Jardine Fleming Pakistan.

However, he said Pakistan's perception of threat to its national security might overshadow economic concerns.

"There are 60 to 65 per cent chances that Pakistan will not (test), but we have no idea about what are the paramount factors being considered at the decision-making level," Naseer said.

In case of a test by Pakistan, economic sanctions could spell disaster for an economy far more dependent on foreign assistance than India not only for infrastructure projects but also for keeping the schedule of repayments on about 30 billion dollars foreign debt, the ana-

lysts said.

Pakistan's estimates for expected foreign assistance in loans and grants for fiscal 1997-98 (July-June) are slightly higher than 3.5 billion dollars, which is almost half of the revised domestic net revenue receipts of 7.12 billion dollars.

The inflows of commercial loans from international creditors and foreign currency funds are estimated at close to two billion dollars while foreign debt repayments are estimated at over two billion dollars for 1997-98.

"A test explosion might not result in an immediate default on foreign debt repayments as only fresh lending would come under sanctions," an economist

at a foreign bank said, but added that "rollovers would come to a halt which would mean default in the next three to six months."

"According to a rough estimate, Pakistan stands to loose 1.25 billion dollars to 1.5 billion dollars in foreign grants and loans, which is unsustainable keeping in view of the cash forend reserves position of around a billion dollars," the economist said.

An analyst at another foreign bank, however, said foreign direct investment and portfolio investment, already down at about 300 million dollars and 450 million dollars respectively in the first three quarters of 1997-98, would

be missed much.

"But potential of both investments in terms of future direct and portfolio would be wiped out," the analyst said.

Early this year, Pakistan launched a drive, backed by an incentives package, to attract foreign investment in new projects and in the sale of state assets, and officials say they expect five billion dollars to seven billion dollars in potential foreign investment in the next few years.

Foreign-sponsored projects, mostly in the energy sector, may not be hit in the short run as they are taken up without any international guarantee or cover by international investment insurance organisations.

"But fresh investment will remain on hold for some time even if Pakistan declares it will not test as the risk perception for the region altogether has gone up," the analyst said.

Some analysts said Pakistan's capacity for borrowing from the international market had already been severely hurt but a no-test declaration might generate a lot of interest in Pakistani debt and equity by global investors.

Pakistan's paper is already over discounted by nine to 10 per cent, compared to India's five to six per cent," a foreign banker said. "So if Pakistan declares that it was not interested in a nuclear test it can play the situation to its favour."

Cambodia to buy electricity from Thailand

PHNOM PENH, May 19: Cambodia has agreed to purchase 5.2 million dollars of electricity from Thailand and is seeking other power deals with companies in Vietnam and Laos, a newspaper reported Tuesday, says AP.

Cambodia's southwestern province of Koh Kong will purchase two megawatts of electricity from Thailand's Trat Provincial Electricity Authority, with the option of negotiating for eight more megawatts in the future, the Koh Kong governor told the Cambodia Daily.