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The Daily Star BUSINESS

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US trade deficit hits record high

WASHINGTON, July 18: The United States suffered its worst monthly trade deficit on record in May, as a robust national economy continued to absorb imports but found fewer takers for its exports to Asia, reports AFP.

The trade deficit is large because we have an integrated global economy and our economy has been strong while the Asian economies have been in trouble," President Bill Clinton said after the government announced a 10.3 per cent jump in the May goods and services shortfall over April to 15.7 billion dollars.

"Almost the entire increase in the trade deficit is due to the Asian economic trouble," Clinton told reporters.

As fragile Asian nations have proved unable to absorb more US exports, their weakened currencies have reduced the price of imported goods in the United States, making them more attractive to US consumers, the President said.

The value of US imports rose 0.5 per cent in May to 92 billion dollars while exports fell 1.3 per cent to 76.2 billion. In the first five months of the year, the deficit widened to 64.9 billion dollars from 46.5 billion a year earlier.

The United States continued to run up huge deficits with Japan, five billion dollars, and China, 4.6 billion dollars, and posted substantial shortfalls with Hong Kong, South Korea, Singapore and Taiwan — 1.6 billion dollars.

Exports to recession-hit Japan through May were down 11 per cent compared with the same period last year. Exports to Hong Kong, South Korea, Singapore and Taiwan declined by 20 per cent.

Commerce Secretary William Daley acknowledged Friday it was "a pretty good bet" the deficit had not yet peaked this year.

Bulgarian economy set to grow by 4.5 pc per year

SOFIA, July 18: The Bulgarian economy is set to grow by 4.5-5.0 per cent per year under a draft agreement with the International Monetary Fund (IMF), Prime Minister Ivan Kostov said here yesterday, reports AFP.

The three-year agreement would be signed in September and put to parliament here before the end of the October.

Under the plan, the budget deficit would have to be no greater than two per cent of gross domestic product, inflation would have to fall to four per cent in 2001 and the share of the external debt would have to be reduced to less than 60 per cent of output, Kostov said in a report to parliament.

Bridgestone dealers' confce held

The 7th Annual Dealers Conference '98 of Eastern Motors Ltd, sole distributor of Bridgestone Tyre & Tubes in Bangladesh, held at a city hotel on Thursday, says a press release.

The conference was chaired by Mukhlesur Rahman, Chairman of Uttara Group and Director in charge of Eastern Motors Ltd. T Fukunishi of Bridgestone Corporation, Japan was the chief guest while K Baba of Mitsui & Co Ltd, Japan was special guest. Welcome speech was given by Matur Rahman, Director Eastern Motors Ltd.

Mukhlesur Rahman declared dealers incentives for the year of 1997-98. M/S The Tyre Agencies of Chittagong became the best dealer for the year in Zone-A and M/S. Auto Corner of Dhaka in Zone-B.

Oil stocks in rich nations sharply up

PARIS, July 18: Oil stocks in industrialised countries reached a record 2.6 billion barrels in the second quarter of this year and are likely to rise further, the International Energy Agency said, reports AFP.

It also cut its estimate of world oil demand for the whole of 1998 to 74.9 million barrels, down from an estimate of 75.0 in its previous monthly oil report in May.

Demand in the second quarter of the year was revised down 200,000 barrels a day to 72.8 million barrels, largely due to "weak apparent demand in the former Soviet Union and lower-than-expected Japanese deliveries to the power generation sector."

It said that Organisation of Petroleum Exporting Countries members were continuing to overproduce despite a pledge to take 1.245 million barrels a day out of the market from April 1.

It estimated OPEC oil output at 27.95 barrels a day in June, still well above its estimate of average demand for OPEC oil this year of 27.0 million barrels a day.

Central depository bill ready for disposal by parliament

Star Business Report

The government hopes to push through a proposed legislation soon to set up a central depository system for the country's capital market. Finance Minister SAMS Kibria said yesterday.

The Cabinet has recently approved the draft legal framework in this regard. The finance minister said he hoped that the bill would be approved in the next parliamentary session. The minister was speaking as chief guest at the inaugural session of a forum discussion on "Dissemination of information to investors".

The forum, sponsored by Securities and Exchange Commission (SEC) and United Nations Development Programme (UNDP), was co-sponsored by the Chittagong Stock Exchange (CSE) and the Dhaka Stock Exchange (DSE).

The function was addressed, among others, by SEC Chairman MA Syed, Finance Secretary Dr Akbar Ali Khan, Acting Resident Representative of ADB Francis B Narayan and UNDP Representative James F Peck.

Kibria expressed his dissatisfaction over the role of the country's Chartered Accountants.

"The CAs had demanded that their audited balance sheets be accepted without raising any questions. The government accepted their demand. But, the CAs could not utilise these properly," said the minister.

"Questions were raised regarding their audited balance sheets and accounts, which ultimately marred investors' confidence," Kibria added.

The minister also urged all the market players to do their jobs properly. "The SEC's role in the smooth-running of the markets would have become simple, had everyone played their due role."

"Now is the time to create confidence of investors. The government wants to help both the brokers and investors... please play a fair game and reap the benefit," the finance minister said.

In 1996, Kibria said, a large number of investors knew nothing about the capital market and many tragic incidents took place due to lack of information.

He said the CAs should discharge their duties with more honesty while preparing com-

pany accounts. Referring to a number of recent tax frauds Kibria said that the businessmen, SEC and stock exchanges should look into the matter carefully to revive the country's money market.

The ADB Representative Francis B Narayan listed weak market regulations and supervision, inadequate market infrastructure, inefficient trading, clearing and settlement systems and lack of accountability of the stock exchanges as major problems facing the capital market.

Narayan said that the government and ADB were jointly working to strengthen and reform the capital market. He also gave details of the measures taken by the government with ADB assistance to revamp the capital market.

SEC Chairman MA Syed stressed the need for transparency which he said was key to the development of the capital market. "But it is not possible to ensure transparency without proper dissemination of information," Syed added.

To achieve a higher standard of transparency, he said, to un-

derstand the business and financial activities of the publicly-traded companies and to allow investors to make informed decisions, the SEC demands full disclosure of facts in prospectus, periodic information as well as important information that may affect shareholders' interests or stock prices.

Syed opined that excessive regulation was not healthy for the capital market "while effective regulation is desirable and essential to foster its fundamental integrity and to encourage confidence."

"Aggressive pursuit of the wrongdoers is a solemn task of the SEC since it is a powerful signal to the market," he said.

Akbar Ali Khan, the finance secretary, said when he was chairman of NBR four years ago he found a company seeking to raise funds from capital market did not pay VAT. "I formed a joint committee of NBR and SEC to deal with such problems."

"Recently I again saw a similar case which appeared in a section of press about VAT evasion. I wonder if the committee has been abolished or is it still functioning?"

'Train and create good financial reporters'

Star Business Report

Professional training for financial reporters could help improve the standard of financial journalism, a seminar was told yesterday.

The Daily Star Editor Mahfuz Anam, who moderated the panel discussion on the role of press in disseminating investor-sensitive information, suggested that the SEC give accreditation to a group of journalists and organise professional training courses for them.

"Such courses would develop skills of a reporter and would help them produce better reports," Anam said.

"This would also help in building up a collegial relationship between the SEC, stock exchanges and the group of journalists."

"Financial reporter should be trained to understand and detect flaws in balance sheets so that they can identify the loopholes and inform the stockholders and investors for making informed investment decisions."

BIDS researcher Debapriya Bhattacharya, a panel discussant, said the press has so far played a "splendid role" in financial reporting. He, however, said that time has come for them to go further into details which is possible through professional training courses.

He said a reporter has a very limited number of places to get information. The first one is the daily price quotation from the exchanges, the second being the monthly publications by the SEC's quarterly review and companies' annual reports.

"But if their were publications from credit rating companies, investment companies and merchant banks then the media could also get valuable information," he said.

India's computer software exports set to double

BOMBAY, July 18: India's exports of computer software will double every 12 months for the next two or three years, industry officials said, reports AFP.

"We have several advantages, such as a low cost, high quality and a huge reservoir of computer software professionals," said Dewang Mehta, Executive Director of the National Association of Software and Service Cos (NASSCOM).

"In the next two or three years our growth rate in exports is expected to 100 per cent a year," he added.

BKB to disburse Tk 150cr among the poor in Ctg

CHITTAGONG, July 18: Bangladesh Krishi Bank (BKB) will disburse Tk 150 crore in Chittagong Metropolitan City under the project "Returning to own homes" the next one year, reports UNB.

BKB Managing Director Shoaib Ahmed disclosed this in a meeting a Chittagong BKB office today.

He said the aim of the project is to "help back the city bound poor and rootless people of the remotest areas in their homes."

The bank will disburse a total of Tk 500 crore in the next one year, of which Tk 150 crore will be disbursed in Chittagong Metropolitan City.

In the past fiscal an amount of Tk 228 crore was distributed in Chittagong and Tk 286 crore loan will be disbursed in the current fiscal year including Tk 52.25 crore to alleviate poverty, he added.

Prices of molasses up sharply in Magura

From Our Correspondent

MAGURA, July 18: The price of molasses or akher gur, which is obtained from sugar cane, has increased rapidly in local markets due to the recent fall in production.

According to the market observers, molasses was being sold at Tk 23 to Tk 25 per kg in the markets of the district. The prices ranged between Tk 18 and Tk 20 a month back.

The villagers usually prefer gur (molasses) to sugar, as the selling rate of sugar is higher — Tk 26 to Taka 28 per kg. The demand for molasses is always higher than that of sugar since most of the villagers use it for eating beaten rice, fried rice and bread, some grocers in the local markets said.

Some farmers, who once used to grow sugar cane told this correspondent that the production of molasses had fallen due to the recent decline in sugar cane cultivation.

Sugar cane production has dropped substantially in four thanas of the district, as the farmers have switched to the cultivation of aus, aman and boro, pulses and cotton.

Moreover, they were forced to give up sugar cane production due to its crushing and processing problems. The process of crushing sugar cane needs strong bullocks, a huge manpower and fire materials, they added.

Patuakhali Pourashava announces budget

From Staff Correspondent

BARISAL, July 18: Patuakhali Pourashava has announced Tk 17,92,95,244 budget for the 1998-'99 financial year.

Chairman of the Pourashava Advocate Md Sultan Ahmed, unveiled the budget at the Pourashava auditorium recently. The budget includes Tk. 16 crore government grant for development work while it without any new tax shows collection of taxes worth Tk. 1,84,05,500 as own income.

Probable expenditure has been estimated at Tk. 17,63,44,200 of which Tk. 3 crore has been allocated for slum development and Tk. 5 crore for water supply projects.

Satkhira

From Our Correspondent

SATKHIRA, July 18: Satkhira Pourashava has announced a Taka 7,25,90,325 budget for the year 1998-99 with increased allocation for civil amenities.

Announcing the budget at a meeting of the Pourashava, Abdul Jalil, Chairman of the Pourashava said taxes have not been increased in the new budget.

Of the total amount, over Taka 1.35 crore will come from the Pourashava's own fund and over Taka 5.88 crore from the government for development projects.

Indonesia's foreign debt up by 4 pc

JAKARTA, July 18: Indonesia's foreign debts rose by 4 per cent to 138 billion US dollars as of the end of March, up from 131.7 billion US dollars in February, media reports said yesterday, quoting a statement in the central bank, says Xinhua.

The country's total overseas obligations were composed of 54.4 billion US dollars in long-term government debt and 83.6 billion US dollars in debt belonging to the private sector and state-owned companies, Bank Indonesia (BI) said in the statement.

The growing foreign debt was mainly due to a 6.8 billion US dollars rise in non-bank private corporate debt, the statement said.

Noted economist Mohammad Sadli told reporters on Wednesday that the country's huge foreign debt burden would make Indonesia more dependent on foreign aid to lift it out of the economic crisis.

Disclosures, research can help informed decisions

Star Business Report

The Chittagong Stock Exchange (CSE) President Amir Khosru Mahmud Chowdhury MP yesterday said full disclosures by listed companies were essential for the investors to make informed decisions.

"Information is a basic raw material in any business decision making. It is also prime and fundamental requirement to an individual as well as to an institutional investor to make any investment decision. Therefore, adequate information must always be available to the investors," the CSE president told a forum discussion on dissemination of information to investors, UNDP consultant Kenneth E Newman acted as the moderator of the session.

He said that the stock exchanges should come up with research publications to help investors and that foreign auditors should be allowed to ensure accounting standard for accurate and reliable company information acceptable to the recipients.

He also stressed the need for

establishment of credit rating agencies so that investors could get reliable information for making decisions.

He also highlighted CSE move towards information dissemination. The CSE has created a research cell and publishes its monthly Portfolio containing reviews and analyses of the stock markets. It has also introduced the first mobile stock services, a state-of-the-art technology of information dissemination to the investors.

The Dhaka Stock Exchange (DSE) Chairman Rakibur Rahman, however, contradicted with CSE president's view on publication of research materials.

"Everybody knows about stocks, price earning ratios and these are not important things to research on. What is important is the development of the market. Everybody should work for the development of the market."

"We should also try to find out why market was not responding," Rakibur Rahman

said. In another session, speakers stressed the need for making news accessible to investors through the media.

Professor Abu Ahmed said the company's price sensitive information were supplied to stock exchanges only which were released on the floors of the stock exchanges.

"If the price sensitive information was given to press simultaneously then the investors would also know about these and take decisions," he said.

The discussants, Singers managing director Mahubb Jamil and Square chairman Samson H Chowdhury, agreed with the proposals.

Former SEC chairman Dr Harun ur Rashid said participation of foreign investors in the stock market was essential for development of the market. "If disclosures by the companies are not up to the mark for foreign investors, then they would not come."

Azeri president to seal \$13b oil deals with UK

LONDON, July 18: Oil-rich Azerbaijan next week will sign three multi-billion dollar deals with multinational companies, UK government officials said yesterday, reports Reuters.

UK Prime Minister Tony Blair and Azeri President Heydar Aliyev are to seal the deals on Tuesday as part of the Azeri leader's four-day official visit to Britain.

The three ventures involve combined investment of some 13 billions dollars if the most optimistic expectations are realised, officials said.

The openings include development of the much-touted deepwater Abikh block by the upstream alliance of British Petroleum and Statoil. The BP/Statoil alliance is already leading the Azerbaijan's flagship international consortium. The eight billion dollars development of three offshore fields by Azerbaijan International Operating Company (AIOC), dubbed "the contract of the century."

The signing ceremony, scheduled at 10 Downing Street for Tuesday 21 July at 2.30 pm, will also see Scotland's Ramco Energy secure the onshore Muradkhanli Block.

Ramco was the first oil firm to establish a foothold in newly independent Azerbaijan, and brokered the initial AIOC deal.

And the ceremony will formalise an agreement for the Inam oil field, already initialled with the State Oil Company of Azerbaijan (SOCAR) by UK Monument US Amoco and Russia's Central Fuel Company.

"Taking AIOC as a baseline, which is working in more favourable water depths, if these three projects are successful an investment figure of 10-15 billion dollars is eminently reasonable," said Terry Adams, former head of AIOC and now Executive Director of Monument.



Chairman of Uttara Group of Companies and Director in charge of Eastern Motors Ltd, Mukhlesur Rahman (C), speaking at the 7th annual conference of the Bridgestone dealers.

FAO's annual review of agri commodities

Asian turmoil, bumper crops lead to fall in global trade

ROME, July 18: Asian economic turmoil and a drop in the price of cereals caused the overall value of global agricultural trade to decline last year, the UN Food and Agriculture Organisation (FAO) said recently in its Annual Commodity Market Review 1997-98.

FAO estimates the worldwide value of exports for all principal agricultural products, excluding fishery and forestry products, declined by more than 2 per cent in 1997 compared to the small gain in 1996 and large gains in the previous two years.

"Export earnings for the developing countries are estimated to have increased in nominal terms by 3 per cent, slightly more than the growth rate for 1996," the review said. But for developed countries, "export earnings are estimated to have declined by 10 per cent in 1997, entirely due to lower volumes as the index of export prices fell by only 1 per cent."

For developing countries, the review said, "the estimated increase in agricultural export earnings in 1997 was mainly on account of substantial gains in tropical beverages, which more than offset the losses elsewhere,

notably on agricultural raw materials.

On the other hand, the review said, "Export earnings from agricultural raw materials, the second-most important commodity group for developing countries, are estimated to have declined by 9 per cent in 1997, following a similar reduction in 1996."

This largely reflects declines in cotton, natural rubber and jute/jute products. For cotton, both export prices and volumes fell markedly, causing export values to fall by a further 23 per cent.

Export earnings of developing countries from all three cereals (wheat, rice and coarse grains) are estimated to have fallen in 1997 by some 20 per cent while those of developed countries dropped by an estimated 30 per cent, the review said.

The FAO review examined the possible consequences of the financial turmoil in Asia on global agricultural commodity markets.

The sharp income contraction in the region and the large depreciation of the currencies was expected to reduce the re-

gion's import demand from the rest of the world, particularly for commodities where demand was relatively income and price sensitive. At the same time, the currency depreciation would raise the region's export competitiveness.

The FAO study, however, did not expect the impact to be marked at the global level for a majority of agricultural commodities. Among the commodities imported by the countries affected, the impact was expected to be greatest for maize, bovine meat, soybean meal, temperate fruit, cotton and hides and skins, while among the export commodities the most affected would be tropical fruit and rubber. Thus, the impact is expected to be felt mainly through reduced import demand by the countries.

The review also looks at the structure and growth of agricultural exports from 70 African, Caribbean and Pacific (ACP) countries and the value of tariff preferences on ACP agricultural exports to the EC. With the Fourth Lomé Convention, which is a preferential trading arrangement between the European Union and the ACP coun-

tries, due to expire in February 2000, and negotiations for the continuation of the preferential relationship set to start in the autumn of 1998, the review offers a number of suggestions aimed at increasing the gains from the current preferential access opportunities.

The FAO review says intra-ACP trade in agricultural products is relatively small. It says intra-ACP trade in agriculture as a percentage of all agricultural exports of the ACP countries reached 5.4 per cent in 1993, up from 3.3 per cent in 1980, which contrasts with 30 per cent for NAFTA and 73 per cent for the 15 European Union countries.

But it notes that intra-trade has jumped in value by 42 per cent in nominal terms, from about \$400 million to more than \$550 million in little more than a decade. The analysis further showed that the prospects for increased intra-ACP trade has improved in recent years.

Highlights from the review
COFFEE: Coffee prices rose dramatically during the first eight months of the 1996/97 season (October/September),

with the International Coffee Agreement composite daily price hitting \$2.23 per pound, the highest level since 1986, and 125 per cent higher than the level in October 1996. However, by September the composite price had receded to \$1.33 per pound.

TEA: World tea prices at the beginning of 1998 were expected to remain firm as the recovery in Kenya would not be complete and the continuing drought in Indonesia would further reduce the supply on the world market.

SUGAR: World sugar consumption in 1997 was 120.9 million tons. With global production at 122.7 million tons in 1996/97, 1.7 million tons were added to stocks which stood at 45.6 million tons at the close of the season. For the 1997/98 crop year, FAO's forecast is for a slight drop in global output, mainly due to declines in Thailand, India, Ukraine and the Russian Federation.

MILK AND MILK PRODUCTS: Global output of milk increased by 1 per cent in 1997. After several years of stagnation, world milk production started to expand, although in the CIS total milk output con-

tinued its decline, largely as a result of falling production in the two major producing countries — Russian Federation and Ukraine.

As regards, 1998, milk output is expected to show a small increase over the previous year, but supplies of dairy products on the international market in 1998 should change little.

FISHERY PRODUCTS: The value of world trade in fishery products as a whole expanded further in 1997, due to both higher volumes traded and increased prices.

The overall outlook is for lower tuna catches in most of 1998, while demand is expected to be strong in all the main markets, especially for canned tuna.

FOREST PRODUCTS: Two major highlights in the global market for forest products in 1997 were: the strong recovery in the European markets and the notable increase in world pulp and paper production, after the decline in 1996.

The markets for European forest products recovered from the very slack demand seen during most of 1996.