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Capital market to get provident, pension and gratuity funds

Changes to Trusts Act now await Cabinet clearance

By M Shamsur Rahman

Amendments to an old law have been cleared by the law ministry to allow provident, pension and gratuity funds into the capital market.

The Cabinet is expected to approve the changes to Trusts Act, 1882 this week, which will be placed in parliament during the next session, official sources said.

The finance ministry had taken the initiative to amend the century-old law in the wake of calls from market operators and Asian Development Bank to inject new funds into cash-hungry capital market. The Bank, which is providing US$ 80 million to fund market development efforts, said at least 25 per cent of the idle provident and pension funds should be channeled to the capital market.

The amendments are aimed at removing the legal barriers for these funds to be invested in stocks. The government, however, does not have any idea or estimates about the size of the funds lying idle, according to sources.

Earlier, an inter-ministerial meeting at the finance ministry had reached a consensus to amend the existing act. It was later sent to the law ministry for clearance.

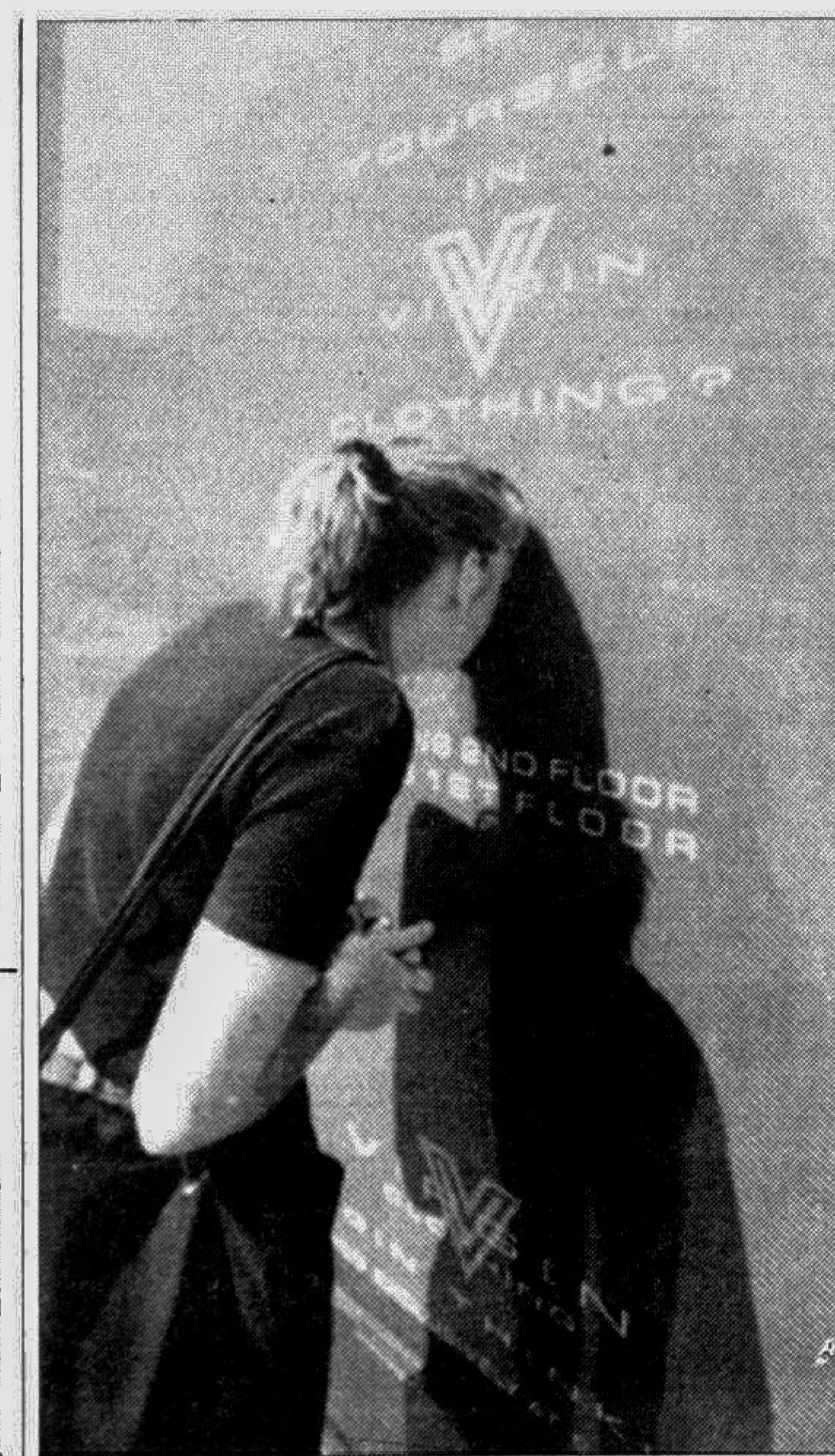
The changes will force trustees of these funds to invest in the stock market.

Under the existing Trust Act, 1982 the trustee is "bound to invest the money ... in the stocks or debentures of, or shares in, companies the interest whereon shall have been guaranteed by the government".

The proposed amended law says the trustee "is bound to invest the money ... in the shares, debentures or other securities of companies listed with any recognised stock exchanges in Bangladesh".

Officials cite successes of other countries in this regard. They say countries such as the US, the UK, Japan, Korea, Thailand, Sri Lanka, India, Pakistan have allowed trust funds into the capital market. "These countries have already experienced a boost in industrialisation and economy," one official said.

"With the introduction of these funds the capital market will stabilise and develop gradually. It will also increase liquidity in the market," he said.



A London shopper peers through the new Virgin window display at Selfridge's department store in central London Wednesday. The Virgin clothing line was launched Thursday. — AP/UNB photo

Business Briefs

Japanese trade surplus surges

TOKYO: Rising exports and falling imports pushed Japan's trade surplus with the world 56.8 per cent higher in July for the 16th straight month of increase, the government said Thursday.

The merchandise trade surplus, a tally of goods exported minus imports, rose to 1.316 trillion yen ($9.14 billion) from the same month last year, the Finance Ministry said.

The increase in the surplus — which is measured as goods pass customs but before adjustment for seasonal factors — was slightly lower than economists had forecast.

Japan's politically sensitive surplus with the United States, meanwhile, continued to climb, rising 59.7 per cent to 669.72 billion yen ($4.7 billion). It was the 22nd straight month of increase.

With the world, exports in July rose 6.6 per cent, while imports fell 5.7 per cent. Imports from the United States managed a slim 0.9 per cent increase, but were far outpaced by exports from Japan, which rose 21.5 per cent.

Exports to the European Union soared 174.5 per cent. But shipments to the crisis hit economies of Asia declined 35.2 per cent.

Honda profits up 25.7pc

TOKYO: Honda Motor Co, Japan's third-largest carmaker, reported Thursday that group profit rose 25.7 per cent in the first quarter of its fiscal year on a stronger dollar and robust sales overseas.

The company said group net income hit a record high 78.22 billion yen ($547 million) for the three-month period ended June 30. Sales rose 12.4 per cent to 1.6 trillion yen ($11 billion).

"Sales of automobiles in North America and Europe were especially good," said Kenichi Takashima, a director at Honda.

Revenue from Japan and the rest of Asia declined, however, due to a region-wide economic slump, he said.

North American sales surged 26 per cent compared to the same quarter a year ago to 717.13 billion yen ($5 billion), while revenue from Japan fell 8.7 per cent to 319.80 billion yen ($2.2 billion).

The actual number of Honda automobiles sold in North America climbed 8.3 per cent to 265,000 units. In Japan, Honda sold only 185,000 autos, down 11.9 per cent from the previous year.

Moody's downgrades Toyota Motor

TOKYO: Moody's Investor Service cut its rating of the creditworthiness of Japanese automaker Toyota Motor Corp on Thursday, citing concerns about declining sales at home and elsewhere in Asia.

The cut against Japan's largest automaker comes a day after the US-based credit rating agency downgraded two other Japanese car companies, Mitsubishi Motors Corp and Nissan Motor Corp.

Moody's lowered its assessment of Toyota and its subsidiaries' ability to repay their debts to "Aa1." Moody's had given Japan's largest automaker its top rating of "Aaa."

As the lower credit rating warns of a higher risk for the companies' lenders, it could raise borrowing costs for the automaker.

Still, the double-A rating remains quite high and allows Toyota to retain its position as the top-rated Japanese automaker.

In explaining its decision, Moody's said the carmaker may see revenues slip due to falling demand in the struggling economies of Japan and Southeast Asia, which together account for about half of Toyota's sales.

Recent mergers among major rivals, such as Daimler Benz's purchase of Chrysler Corp, should also mean stiffer competition, the agency said.

Qantas fares well despite Asia crisis

SYDNEY: Qantas Airways Ltd has defied the economic turmoil in Asia to post a record 182.8 million Australian dollars (304.8 million Australian dollars) net profit for 1997-1998, up 20.6 per cent.

However, Qantas chairman Gary Pemberton warned Thursday that the economic situation in Asia will affect future profitability and said indications are it will be hard to match the record result in 1998-1999.

Revenue for Qantas, which has responded to the Asian crisis by focusing services away from the region, fell slightly to $4.8 billion (8.13 billion Australian dollars) from $5.28 billion (8.8 billion Australian dollars).

Pemberton described the result as an excellent achievement in difficult trading conditions. However, he warned the region would impact future profitability.

Pemberton said the airline's response included the continuation of planned investment in new product, services and aircraft and entry into new markets in America and Europe.

— AP reports

Catalogue show on UK exports at British Council

The British Council Bangladesh will organise a catalogue exhibition on British exports from August 22 to 26 in the British Council Library here, reports BSS.

The exhibition will remain open for the public from 10.00 am-6.00 pm everyday, a press release said.

The exhibition will be of interest to Bangladeshi business people who wish to obtain information on the availability of goods and services from Britain.

Sector specific catalogues like design, marine equipment, healthcare products as well as general catalogues on various products and services will be displayed.

Maruti launches diesel model today

NEW DELHI, Aug 20: India's largest automaker, Maruti Ydyog Ltd, a joint venture between the government and Japan's Suzuki Motor Corp, yesterday said it would launch a diesel model this week, reports AFP.

A spokesman said the company would launch the new version of its popular 1,000cc Zen model across the country on Friday but did not disclose its price tag.

The Zen's patrol version costs 350,000 rupees (8,750 dollars) cheaper by 1,250 dollar then its nearest competitor.

Company sources, however, said the diesel Zen would cost 2,500 dollars more than the earlier model.

The company presently manufactures about 80,000 petrol Zens, up from 2,000 units in the fiscal year to March 1994, the year the model hit the Indian market.

Last year, 18,623 units were exported to the United Kingdom, Belgium, Italy, Netherlands and Germany.

The company holds 80 per cent of the Indian car market, producing 350,000 units last year.

Maruti's mainstay model, and 800cc city run around, is facing strong competition after India opened up its automobile market to other foreign firms.

HK chief executive defends market intervention

HONG KONG, Aug 20: Amid warnings that Asia's turmoil may undermine the world economy, the chief executive on Thursday defended government intervention to fight what he said were efforts by speculators to manipulate Hong Kong's markets, says AP.

Speaking to the Australian Chamber of Commerce in Hong Kong, Chief Executive Tung Chee-hwa said his territory faces further shrinkage of the economy and growth in unemployment in the near future.

The main Hang Seng stock index plummeted early this month, and the government blamed speculators for betting on a further decline and driving prices still lower.

On Friday, it announced that it bought shares in order to fight the speculators. This week, reports said Malaysia followed suit, indicating Hong Kong's approach may spread.

Countering widespread criticism, Tung said the move was purely defensive and did not signal a change in Hong Kong's policy of not interfering in the markets.

"We are not out there to support the stock market at any level," he said. However, he added that the government had to act when speculators drove up interest rates. Higher interest rates are a further drag on the economy.

Although the government has not indicated this week that it bought any more shares, traders said it has been in the market. Before last Friday, the Hang Seng had lost 60 per cent of its value since its peak last August.

Iraq recruits two oil experts to help speed up UNSC approval

UNITED NATIONS, Aug 20: Two oil experts from the Dutch Saybolt firm have been recruited to help speed up Security Council approval for vital equipment Iraq has ordered to upgrade its dilapidated oil industry, the United Nations said on Wednesday, reports Reuters.

UN spokesman Fred Eckhard said the Security Council's sanctions committee on Iraq has now received 55 contracts it needed to approve as quickly as possible. The council in June allowed Iraq to buy 300 million dollars worth of parts to repair damage done to its oil industry since the 1991 Gulf War.

But the 55 contracts amounted to only 60.45 million dollars, according to John Mills, a UN spokesman for the Iraqi-UN "Oil for Food" programme.

'Govt keen to boost leather sector'

Commerce and Industries Minister Tofael Ahmed said in Dhaka yesterday that the government was very sincere to flourish the leather sector, reports BSS.

He said, "leather sector is one of the thrust sectors for export and we have huge potentiality to increase export earnings from this sector."

He was presiding over a meeting on problems and solution of the tannery industries at Hazaribagh in Dhaka yesterday.

Held in the Conference Room of the Industries Ministry, the meeting was attended by KKM Rahmatullah MP, Industries Secretary KM Ezazul Huq, M A Satar Bhuiya, Chairman of Bangladesh Finished Leather Exporters Association, Haroon Chowdhury, Chairman of Bangladesh Tanners' Association, M Abdul Hye, Secretary General, Bangladesh Tenners' Association and representatives of concerned ministries, agencies and associations.

Expressing serious concern over water and air pollution caused by the waste of the tanneries of Hazaribagh, the minister said, it could also hamper our leather and leather goods export which could not be acceptable to tanners, the government and the people. He said, "We have to come out of this problem to create a pollution-free environment and expand export in this sector."

The meeting discussed in detail the possibilities of solving the problem and decided to establish a central effluent water treatment plant at Hazaribagh as soon as possible.

The Director General of the Department of Environment informed the meeting that a project for techno-economic study for setting up a treatment plant at Hazaribagh was under active consideration of the government.

The minister asked the concerned authorities to take up the project immediately with a view to establishing the proposed treatment plant. He said that the government would ask the donors including World Bank and Asian Development Bank to finance the environment preservation project expected to cost Tk 100-200 crore.

The minister directed the Industries Ministry officials to prepare another project for techno-economic feasibility study with a view to shifting the tanneries from Hazaribagh to any other suitable location.

Resident representative tells commerce minister

ADB to help make KNM competitive

Asian Development Bank will take an integrated project for the overall development of Khulna Newsprint Mills (KNM) to make it competitive, says UNB.

The project will aim at finding out alternative source of raw materials other than 'Gaowa' of the Sundarbans for the mills in order to save the forest.

The assurance came when the newly-appointed ADB Resident Representative to Bangladesh Phiphit Suphaphiphat called on Commerce and Industries Minister Tofael Ahmed at his office yesterday.

The new ADB representative also assured him of assistance for manpower development and said a study for comprehensive technical assistance for the project was underway.

Appreciating ADB's effort to be a development partner of Bangladesh, the minister requested the ADB representative to expedite the KNM project and informed him that textiles, leather, computer, software and agro-processing are the thrust sectors for industrial development of Bangladesh.

He said, "We have targeted a 25 per cent GDP contribution from the industrial sector at the terminal year of the fifth five-year plan ending at 2002.

We are maintaining progressive growth in the industrial sector and export earnings to achieve the target and have declared a five-year EXIM Policy as per the target, the minister said.

We have allowed the private sector in energy and telecom sectors and have a plan to open road communication for private investment, Tofael said.

He said that the present government had given priority to investment and planned to set up more EPZs and industrial parks in addition to the existing two.

Mentioning his meeting with the ADB's President in Manila last year, the minister requested the ADB representative to provide loans for small and medium-scale industry projects in Bangladesh.

He said, projects costing 10-30 million US dollar will befit local entrepreneurs to set up viable industries. So, the present government is sincerely trying to privatise the state-owned enterprises and have achieved some progress in this field.

Welcoming the steps taken by the government in improving socio-economic condition of Bangladesh, the ADB representative assured the minister to expedite ADB's support and assistance for rapid industrialisation of Bangladesh.

A day-long workshop on "Electronic Information Networking and Year 2000 Demands" was jointly organised by the Dhaka Chamber of Commerce and Industry and the World Bank at the DCCI auditorium on Wednesday. World Bank Country Director for Bangladesh Pierre Landell-Mills addressed the workshop as chief guest. — DCCI photo

'Large portions of WB loans have been lost to corruption in Indonesia'

WASHINGTON, Aug 20: Large portions of World Bank loans have been lost to corruption in Indonesia, according to an internal memorandum circulated a year ago, a bank official confirmed yesterday, says AFP.

The charges were contained in a report prepared by the bank's staff in Jakarta, and picked up by the Wall Street Journal. It said "more than 20 per cent of the money earmarked for World Bank projects in Indonesia" had been siphoned off by corrupt officials.

Asian currencies surge

SINGAPORE, Aug 20: Asian currencies rose against the US dollar today as speculators took cover on fears of joint central bank intervention to boost the ailing yen, which pierced through the 143 level for the first time in three weeks, dealers said, reports AFP.

The yen surged here to 142.50 against the dollar in the afternoon from Wednesday's Singapore close of 144.35 on remarks by a senior finance ministry official Haruhiko Kuroda suggesting imminent government intervention.

The Singapore dollar rose to 1.7440 against the US dollar from Wednesday's close of 1.7560, the Malaysian ringgit to 4.1575 from 4.2100, the Thai baht to 41.07 from 41.40, the Philippine peso to 42.54 from 42.92, the Taiwan dollar to 34.560 from 34.699 and the South Korean won to 1,299 from 1,305.

The Indonesian rupiah rose earlier today to 11,500 from 11,600 a day earlier due to a combination of factors, including the high cost of holding the greenback on a long term basis.

"I think it will remain like this for a while until people are confident that the yen should weaken again," said Nizam Idris, analyst with British financial house IDEA.

Japan's Vice Finance Minister Eisuke Sakakibara, better known as "Mr Yen" for his sway over currency movements, had spooked the foreign exchange market on Wednesday with his threat to intervene to shore up the yen.

Report today said Hong Kong monetary authority chief Joseph Yam had spoken on the need for the group of seven industrialised nations to intervene to maintain global financial stability.

"It is in the interest of other Asian central banks to lend support to Japan in talking up the yen," Philip Wee, treasury economist with Standard Chartered, told AFP.

He said there had been a growing perception that if the yen plunged below 160 to the dollar, it might collapse to the 180-to-200 level and spark another round of sharp regional currency falls.

Wee said the market was wary of a repeat of the 1995 joint intervention which reverse the weak US dollar.

The regional currencies were closely tracking the yen.

"The market is cautious about increasing prospects of joint central bank intervention," said Alison Seng, analyst with research house Standard and Poor's MMS.

Japan mulls over injecting $3.5b into ailing LTCB

TOKYO, Aug 20: Japan is considering injecting between 500 billion yen (3.5 billion dollars) and one trillion yen in public funds into the troubled Long-Term Credit Bank of Japan to boost its merger plans, a Business daily said Thursday, reports AFP.

The Nihon Keizai Shimbun said the government and the central bank, the Bank of Japan, would support LTCB so its merger with Sumitomo Trust Banking Co Ltd could go ahead.

The government was worried that the stalled merger talks could rock the entire financial system, the daily said.

Indian economic policy 'drifting without focus'

by K.S. Nayar

NEW DELHI, Aug 20: The Congress Party, which is waiting in the wings to take over power from the Bharatiya Janata Party (BJP)-led government in India, feels economic policy is currently "drifting without focus" and the government has sent wrong signals to Indian and foreign investors.

The economic slowdown is the result of the directionless policies being pursued by the government, said Jairam Ramesh, Congress party secretary and the man responsible for formulating the party's economic policy. Ramesh, who was economic adviser to former Finance Minister P. Chidambaram, said the slowdown was a result of the fundamental restructuring that Indian industry is going through.

An engineering and management graduate from the Indian Institute of Technology, Carnegie-Mellon University and Massachusetts Institute of Technology, the 44-year-old Ramesh said industrial growth has been slow for almost a year and a half. "I would not call it a recession in the classical sense of the term...but it is definitely a slowdown," he noted.

He felt it was better to have a six to seven per cent industrial growth than grow at 10 to 12 per cent and not carry out the fundamental technological upgrade that industry requires to become globally competitive. Which is why Ramesh considers the budget presented by Finance Minister Yashwant Sinha as a "lost opportunity."

"The budget should have been used to send the right signals by announcing definite policies for taking the economic reforms forward," Ramesh told India Abroad News Service in an interview.

However, other than "the statement on privatisation, the budget does not present any further movement towards economic reforms. In fact, most of the budget proposals were anti-exports, anti-farmer, anti-growth. They were clearly protectionist," he asserted.

Ramesh said the BJP-led government's economic policies have sent wrong signals to investors both in India and overseas. Every sector of industry has been hit by its budget because corporates import and export. "I hope this government survives to quickly retrieve lost ground," he said. Ramesh welcomed the gradual depreciation of the Indian rupee, which was overvalued. However, the import duties imposed in the budget have caused Indian products to be priced out of the world market.

"What the government had done is to interfere with the depreciation of the Indian rupee, thereby eroding the competitive strengths of Indian exports," he argued.

Besides the increased import duties, the government also imposed extra commodity taxation to raise Rs. 130 billion ($3 billion) both in excise and customs. "This is nothing but protectionist. The Finance Minister thought he was doing Indian industry a favour. But industry did not welcome this," Ramesh pointed out.

He felt the government's economic policies were also anti-farmer. In the past 50 years, the country has had a trade policy that provided protection to industry which "ipso facto discriminated against agriculture."

"The moment you reduce protection to industry, you automatically reduce discrimination against agriculture," Ramesh said. "In fact, during 1992-96, the import duties on industry came down and the terms of trade moved in favour of agriculture for the first time. By interfering with such a trend, the present government's policies went against the interests of farmers." The Congress party leader was also critical of the 12 rates of customs duties and nine rates of excise duties.

"The movement towards simplicity and transparency which were initiated at the beginning of economic reforms in 1991 and carried forward by then Finance Ministers Manmohan Singh and Chidambaram were rolled back by Yashwant Sinha. We are back in the old 'babu raj' (bureaucratic rule)."

The country's macro fundamentals are still good, Ramesh felt, with foreign exchange reserves at about $27 billion. Compared to Indonesia, whose short-term debt was 150 per cent of its foreign exchange reserves, India's is only 24 per cent. India managed its external debt problem very well and also brought down the non-performing assets of banks and recapitalised these, Ramesh said.

He said his party believed that growth always helps the poor. "India can solve the problems of poverty and unemployment through higher growth. In 1993-94, for the first time in Indian history, the economy grew by more than six per cent. In the 1994-97 period, it was over seven per cent.

"The poverty ratios have came down, more job opportunities were created. But this is the only country where there is still a debate whether there should be growth or no growth," Ramesh said.

He said the Congress party was for foreign investment in the insurance sector as it would help fund infrastructure projects. "Unfortunately, in the BJP cabinet, the Finance Minister could not even present the proposal as there was opposition within the coalition," he said.

Ramesh said the BJP-led government lacked the right leadership, alleging Prime Minister Atal Behari Vajpayee is "unwilling to govern." He said, "The Finance Minister is not the first choice of the Prime Minister. Then you have a BJP President (Kushabhau Thakre) who wanted India to pull out of the World Trade Organisation (WTO)."

Ramesh was also critical of non-resident Indians (NRIs) for not contributing enough to India's economic growth. "They always wanted sops and incentives to invest. They are the only species in the world who want all these. I don't think there is a need to have special incentives to invest in India over and above what are presently given to any other investor. The BJP government has recognised the NRIs and People of Indian Origin in the budget because they are the main funders of the party," Ramesh claimed.

"The overseas Chinese have much more commitment and much more money while the NRIs have more brains than bucks. We want people like Sam Pitroda, who made enormous sacrifices and in ten years revolutionised the Indian telecommunication sector," Ramesh said.

— India Abroad News Service