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Dow Jones plunges by 6 pc

NEW YORK, Sept 1: The world's biggest stock market succumbed yesterday to the contagion that has spread around the globe, suffering its worst day since the 1987 market crash, reports AFP.

The Dow Jones blue-chip index of 30 industrial companies plunged 6.36 per cent or 512.61 points, the second-biggest point drop ever.

That erased the gains for 1998 and set the Dow back to its level of November 1997, or 4.66 per cent lower for the year.

After having held up in the face of the Asian crisis, the US market collapsed amid continuing political and economic uncertainty in Russia, which has hurt emerging markets and major US trading partners in the Americas and Europe.

"The end of the 'too big to fail' doctrine in Russia caught out a lot of investors," said Robert Pelosky, emerging markets analyst at Morgan Stanley Dean Witter.

The rejection of Viktor Chernomyrdin as Russian and news that US financial institutions lost money in July and August helped accelerate the decline on Wall Street.

Around the world, European markets were lower but were closed when the biggest losses occurred on Wall Street. The London market was closed for the day.

In Frankfurt, stocks fell 3.2 per cent, Zurich was off 1.58 per cent, Milan 1.99 per cent, Paris 1.54 per cent and Madrid 1.41 per cent.

Moscow stocks were off two per cent for the day.

Earlier in Asia, the day began favourably in Tokyo with a gain of 1.4 per cent for the Nikkei, but Hong Kong shares plunged 7.1 per cent after the government stopped buying up shares to prop up the market.

Latin America largely followed Wall Street, with Sao Paulo stocks tumbling four per cent.

Jute export hinges on container dearth at Mongla

Bangladesh Jute Association (BJA) has said the current acute shortage of empty containers at Mongla port paralysed jute export trade as cargo worth more than taka one crore is awaiting export, reports UNB.

In a statement Monday, the BJA urged the respective shipping lines to arrange sufficient empty containers in Mongla port for smooth shipment of raw jute.

It also requested the concerned authorities to help resolve the problem.

Course on preparing managers for 21st century at BATC

A day-long course on "Preparing Managers for 21st Century" was held at Bangladesh Airlines Training Centre (BATC) in Dhaka yesterday, reports UNB.

Sharu Rangnekar, a renowned Indian management expert, conducted the course attended by 39 Biman officers.

BATC Principal S M M Rahman inaugurated the course in the morning. Director of Customer Services Muhammad Abdus Salam took part in the deliberations.

Managing Director, Rapport Bangladesh Ltd, was also present, said a Biman press release.

'Japanese economy going through darkest stages'

TOKYO, Sept 1: With Japan already stuck in a deep downturn, a top government official said Tuesday that economic conditions are growing worse, says AP.

The Japanese economy is now going through one of its "darkest stages," said Economic Planning Agency head Taichi Sakaiya.

Speaking at a press conference, Sakaiya blamed the moribund state of the Japanese economy on weak consumer and corporate confidence and also on events outside Japan, such as floods in China and economy turmoil in Russia.

Japan said it had slipped into its deepest recession since the end of World War II earlier this year when it announced gross domestic product for the fiscal year that ended in March shrank by 0.7 per cent.

Sakaiya, an author of books about Japan's economy and the only non-politician in Prime Minister Keizo Obuchi's cabinet, is known for his outspoken views. While many Japanese leaders have downplayed the extent of the country's economic problems, Sakaiya has said economic growth is likely to fall short of official forecasts.

Last month, he said falling prices and wages in Japan could trigger a deflationary spiral that would push Japan deeper into recession.

Sakaiya said Tuesday it was too early to say whether an overnight plunge on Wall Street would trigger declines worldwide.

Sonali Bank, SEC, NBR detect irregularities

Mahanagari gets caught while playing tricks

By M Shamsur Rahman

Sonali Bank decides to sue the company for default, SEC rejects IPO application and NBR finds false financial statements

A controversial real estate company, which defaulted in paying crores of taka in debts to Sonali Bank, tried to raise funds from the capital market through IPO but was found to have furnished the regulator with false and fabricated financial figures.

Sonali Bank has decided to sue the company for its failure to repay Tk 13.34 crore in outstanding loans. The Securities and Exchange Commission has also rejected its application to make an initial public offering to raise Tk 15 crore.

A National Board of Revenue inquiry has found the company submitted two different balance sheets, one showing tax-friendly accounts while another giving inflated figures to impress the SEC.

Mahanagari Traders Ltd (Prominent Housing), a real estate developer, borrowed Tk nine crore in commercial loan from Sonali bank on August 13, 1995 to build 165 flats. The projected cost of the project was estimated to be Tk 20.10 crore.

Sonali had approved the loan with the condition that the company would make a down-payment of Tk 6.03 crore within two years in an STD account in the company's name and the money raised from sales of flats would be deposited in the loan account.

The company failed to comply with the conditions and did not deposit money in the STD account while it continued to sell flats.

The company also did not pay the required monthly instalments as agreed earlier. The monthly instalments were fixed at Tk 9.90 lakh, payment of which was supposed to begin after two years. The entire amount was to be paid back in seven years, including the two-year grace period.

Sonali Bank officials said the company was found reluctant to repay. They said the company built four flats out of the planned 18 and that the proceeds from sales of these flats were not deposited in the account as pledged.

The company did not respond despite repeated reminders from the bank, the officials said in their statements while recommending legal action.

On June 30, 1998, the company's defaulted amount stood at Tk 13.34 crore.

On April 15 this year, the bank served a legal notice on the company asking it "to pay back the money or face legal action". As the company remained silent despite the notice, the branch which gave the loan sought permission of the head office to sue Mahanagari. On August 4, the head office gave the clearance to file a case against the company.

Prominent Textile Ltd, a sister concern of Mahanagari Traders, also owes Tk 18.66 lakh in project loan to Sonali Bank.

Bid to shift bank burden to investors

Meanwhile, in the middle of last year, the company sought Securities and Exchange Commission (SEC) permission to raise Tk 15 crore from the capital market.

The SEC rejected the application saying "real estate business is unpredictable."

"In our country, the real estate developers/housing companies usually collect advance money from the intending apartment buyers well in advance of actual construction and collect the balance amount in instalments with the progress of construction. These companies, therefore, do not require long term finance," the SEC said rejecting the application.

The SEC also found the company's financial projections unconvincing.

Year closing	Tax year	Balance sheet submitted to SEC		Balance sheet submitted to tax officials	
		liabilities	assets	liabilities	assets
30/6/93	93-94	30,05,000	30,05,000	30,00,000	30,00,000
30/6/94	94-95	56,04,965	56,04,965	30,54,965	30,54,965
30/6/95	95-96	3,30,44,122	3,30,44,122	99,45,384	99,45,384

SEC said that the company's actual turnover was Tk 1.216 crore, Tk 1.965 crore, Tk 2.092 crore, Tk 3.482 crore, Tk 7.935 crore, and Tk 5.075 crore during the years to June 30, 1992, 1993, 1994, 1995, 1996 and five months to November 30, 1996.

The projected turnovers for seven months to June 30, 1998, 1999, 2000, 2001 and 2002 were shown at Tk 43.532 crore, Tk 90.804 crore, Tk 138.86 crore, Tk 203.51 crore, Tk 256.125 crore and Tk 312 crore respectively.

"The company's past records do not justify the projections," the SEC said. "Your projection are highly over-optimistic and seems to be unrealistic and unachievable."

Manzur Quader resigns

In an interesting twist to the frantic bid to raise the money and secure SEC permission, Major Manzur Quader (Rtd), managing director of Mahanagari Traders, who was also a personal guarantor for the loan from Sonali Bank, had resigned prior to submission of application to SEC.

SEC sources said Manzur Quader's name was not there on the list of company directors submitted to the regulators. Quader was a state minister under General Ershad and later joined BNP. He also edits a English-language magazine.

The company also informed the Sonali Bank of its desire to change its management structure in line with norms of a public limited company.

At this stage, the bank sought opinion of its legal adviser who said: "According to Banking Companies Act, the directors of a company who have taken loan from a bank or financial institution cannot resign or transfer or sell shares without consent from the lending bank or financial institution."

The SEC refusal to let the company go public has spoiled the "dream" to pay off the bank debts, the Sonali Bank lawyer said. "Besides, it is a lame excuse that changing the managing director of Mahanagari Traders Ltd is a necessity, which is also ridiculous and irrelevant," the lawyer said.

The lawyer also said that the SEC's observation also clearly proved that "none of the company's recent activities are transparent".

"Under these circumstances, until the company's activities prove to be transparent and until there is substantial progress in the loan repayment situtaion, it will not be proper to give permission to change the managing director of the company," the lawyer said.

Two balance sheets

The company had also submitted balance sheets of Prominent Fashion Ltd, a sister concern of Mahanagari Traders, to SEC, which differed from the balance sheets submitted to tax authorities for assessment purposes.

Interestingly, both balance sheets were authenticated by the same auditor, G Biswas & Co.

Asked, Goranango Prasad Biswas FCA, admitted the discrepancies between the two balance sheets. "There were some assets and liabilities which we failed to detect at the first audit but we corrected it during a revised one by correcting the balance sheet about which we had informed the NBR officials."

NBR detects false statements

The NBR later conducted an inquiry into the matter.

In a report, the tax officials said that the balance sheet submitted to SEC contained "inflated assets figures and imaginary liabilities compared with the balance sheet submitted to the National Board of Revenue (NBR)".

"The declared date of commencement of business has been proven to be false," the report said. "And the accountancy practices lack transparency."

"The directors of the company Major Manzur Quader (Rtd) and Munmun Manzur, also directors of Fashion Ltd, had submitted tax returns showing false addresses and concealing the fact of directorship of Prominent Fashions Ltd and due to non-submission of tax returns the company has been penalised," the officials pointed out in the report.

Manzur Quader could not be reached for his version despite repeated attempts by The Daily Star over the last few days.

The ongoing onslaught of flood has forced the Bangangail market in Manikganj to budge up and settle down on Dhaka-North Bengal highway, which has been the cause for serious traffic disruption these days. The photo was taken yesterday.
—Star photo by Anisur Rahman

Silk industry in dire straits

PABNA, Sept 1: The silk industry in the northern region has been facing uncertainty following the government decision to privatise industrial units of this sector, reports UNB.

The decision to privatise the silk industries of Rajshahi and Thakurgaon was taken at a cabinet meeting about a year ago.

Following the decision, Bangladesh Sericulture Board in March last took the decision to lease out silk seed houses at Bogra, Jhenidah and Thakurgaon (Ratnai) for 15 years.

The decision has created frustration among 10 lakh workers engaged in the industry.

The silk industry in the region has developed through the ages and now enjoys skilled manpower and necessary infrastructure.

Though it was brought under organisational infrastructure in 1905, the government formed a board for the development, research, production and training of silk in mid-1970's.

The headquarters of the sericulture board was estbalished in Rajshahi.

The board has been playing its positive role in poverty alleviation, rural infrastructure development and protection of the environment since its inception.

The production of raw silk was only 10 metric tons in the early 70s, but it rose to 60 metric tons at the end of the decade creating employment opportunity for about six lakh people.

But the board started facing problem in early '90s when concerned quarters in the government became interested to privatise the industry.

Prime Minister Sheikh Hasina, however, at an inter-ministerial meeting in November 1996, said the sericulture board and its properties would not be handed over to the private sector.

Malaysia enforces sweeping currency controls to fend off speculators

KUALA LUMPUR, Sept 1: Malaysia on Tuesday enforced sweeping currency controls designed to fend off currency speculators and shelter its embattled economy from the Asian financial meltdown, reports AP.

In what is seen as a last-ditch effort to save its ailing currency and stock market, Prime Minister Mahathir Mohamad announced the government would set a fixed exchange rate for the ringgit by the end of the year and allow it to be traded only within the South-east Asian country.

Mahathir said there would be no value attached to the ringgit outside Malaysia after Oct 1. All Malaysian currency in banks overseas will have to be brought back to the country by then.

"It's a last resort measure," Mahathir said during a live interview on state television.

The ringgit has lost nearly 40 per cent of its value against the US dollar since the Asian contagion broke out in July 1997. Malaysia went into formal recession last week as the government announced that economic growth shrank by another 6.8 per cent in the second quarter of 1988.

The announced measures caused the Kuala Lumpur Stock Exchange to collapse late Tuesday afternoon. The composite index, which tracks 100 blue chip stocks, was at 261.66 points, down 41.25 points, or 13.6 per cent.

The government hopes the curbs will bring more money into the domestic market to boost growth.

"We may be seeing the beginning of the end of free traders in the currency markets," said Abdul Razak Baginda, executive director of the Malaysian Strategic Research Center, a private think tank.

"Even advocates of free trading are divided on the impacts of unbridled capitalism," Abdul Razak said. "I don't think it will affect foreign investments. Because of the global situation, investors are turning conservative anyway."

Govt tightens rules on RMG export

In the wake of growing irregularities in export of readymade garments (RMG) government has tightened its regulations on RMG export and decided to take punitive action against fraudulent exporters with immediate effect, reports UNB.

The decision has been taken in the light of proposals earlier submitted by BGMEA to the Commerce Ministry, official sources said.

According to the revised regulations, the fraudulent exporters shall have to surrender the quota they floundered and also face a fine of 300 per cent of the quota amount.

The existing rule provides for curtailing 150 per cent of the quota for irregular exports of RMG.

Frequent transfers of quota also give rise to fraud in garment export, the government noted. To check such irregularity, RMG exporting houses will not be allowed to transfer their quotas more than once in the 'quota year.'

They will have to surrender the unused quotas to Export Promotion Bureau, according to the revised regulations.

Stocks continue to rise in Japan, fall in HK, S'pore

TOKYO, Sept 1: For the second day in a row, Japan's stock market defied the example of Wall Street and nearly every other major index in the world and closed sharply higher Tuesday, reports AP.

But many analysts saw no sign of an extended recovery — given how wildly the stocks gyrated — and some pointed at a temporary intervention by government-linked pension funds.

At the same time, Japan's chief economic planner sounded far shakier than US Treasury Secretary Robert Rubin, who tried to reassure Americans that despite the big fall on Wall Street Monday the country's economic fundamentals remain sound.

Japan's economy is "now going through one of its darkest stages," said Taichi Sakaiya, who recently urged world leaders to hold a summit meeting to discuss the global market chaos.

Stock markets in Tokyo, Hong Kong and Singapore opened sharply lower Tuesday in reaction to Monday's 6.4 per cent decline on the Dow Jones Industrial Average.

By the end of the day, Hong Kong's blue-chip Hang Seng Index had closed down 212.57 points, or 2.9 per cent, at 7,062.47; and Singapore's Straits Times Index had fallen 33.1 points, or 2.7 per cent, to 823.37, a new 12-year low.

Europe's two biggest markets also opened lower.

London's Financial Times-Stock Exchange 100-share index was off by 135.6 points, or 2.6 per cent, to 5,113.8, after a half hour of trading. All of the year's remaining gains were wiped away in the selloff. In Frankfurt, the blue chip Xetra DAX index was off by two per cent at 4,713.77 in the mid-morning.

However, it didn't take long for signs of recovery to emerge in Japan, the world's second largest economy.

By midday Tuesday, the benchmark 225-issue Nikkei Stock Average had narrowed its loss to 1.27 per cent, and by closing it stood at 14,369.63, up 261.74, or 1.86 per cent.

The Nikkei also defied the odds of the world markets on Monday when it finishing 1.38 per cent higher.

But the index, which fell to a 12-year low on Friday, swung wildly in a 700-point range Tuesday. And many analysts dismissed this week's recovery as a short technical rebound, pointing out that many of the major problems weighing on Japan's economy and stocks remained in place.

"Investors were frightened following the plunge on Wall Street, but buying by government-linked pension funds and hedge funds put a brake on the sell-off," said Sachio Ishikawa, general manager of the stock division at Chuo Securities.

Ken Okamura, a strategist at Dresdner Kleinwort Benson, said Tuesday's rise was a temporary reprieve and that the Nikkei could fall below 14,000 again if US stocks weaken further.

"The Japanese government is nowhere near solving the problems with its indebted banks, so there is a big danger that we will see the stock market fall even further," said Yoshio Inamura, a fund manager at Tokyo Mitsubishi Asset Management.

On Monday, the Dow dropped 512.61 points to close at 7,539.07. That brought the index, which had recently been enjoying an 18 per cent gain on the year, down to a 4.7 per cent annual loss. It also could be moving toward its first bear market since 1990.

Even in Asia — where financial crisis has become commonplace for more than a year— Wall Street's tumble, Russia's political and economic crisis, and the shakiness of some Latin American markets seem to be heightening the sense of panic.

"There is a feeling that there is no easy way out of this mess because it has deepened and broadened to the point that authorities have been overwhelmed by the markets, not just in Asia but in the West," said Cameron Umetsu, a senior currency strategist.

To make matters worse, more bad news surfaced in Asia.

In Japan, the government sharply criticised Communist North Korea for firing a long-range ballistic missile over Japan's main island and into the Pacific Ocean on Monday.

Like US officials, the Japanese government sees the test as a dangerous development for the volatile region's security.

In Hong Kong, investors found out that Standard and Poor's in New York had just lowered the credit rating of the territory's ability to repay its debt, both in local and foreign currency.

S and P cited the severity of Hong Kong's recession and the government's recent round of intervention in the stock and stock futures markets, which it called "an increasingly complex and risky strategy" to defend the territory's currency.

The government spent an estimated 15 per cent of its US $ 96 billion in foreign reserves to prop up the stock market in a two-week battle with speculators. On Monday, when the government stopped its buying, the stock index plunged 7.1 per cent.

In Malaysia, Prime Minister Mahathir Mohammad's government — well-known for its criticism of free markets and its feuding with Singapore — took a step that could hurt its neighbour's market.

The Kuala Lumpur Stock Exchange on Monday effectively banned the trading of Malaysian shares outside the country.

That could scare off foreign investors and hurt Singapore's over-the-counter market, which is one of the biggest arenas for trading Malaysian stocks outside the country.

Business Briefs

Sakura Bank to close branches

TOKYO: Japan's Sakura Bank Ltd will eliminate jobs and close branches as part of a cost-cutting plan, the Nihon Keizai newspaper reported Tuesday.

The steps would represent an acceleration of cost-cutting measures begun in March and would coincide with a plan announced Monday to increase the bank's capital by some 300 billion yen ($2.2 billion) as early as this month.

The new restructuring plan is expected to cut costs by 30 billion yen ($215 million) over three years, the paper said.

A Sakura spokesman said the bank had not officially decided on such measures and would not confirm the report.

Sakura had already said it would cut some 2,000 jobs over three years but will now increase the pace to 3,000 over the same period, the report said.

Some 50 domestic branches will be merged with other ones and closed by March 2000. In addition, about 23 overseas branches, mostly in Europe and the United States, will be shut down, the paper reported. Sakura had 86 foreign branches as of the end of 1997.

Chinese version of Windows 98 launched

BEIJING: Microsoft Corp has launched its Chinese language version of Windows 98 in China and said three leading Chinese computer markers agreed to pre-install it in their desktop lines.

"The pre-installation of the Chinese version of Windows 98 is an indication that our cooperation with local partners has entered a new stage," said Michael Rawding, regional director of Microsoft Greater China. The version was launched Monday.

Encouraging the use of pre-installed software will also cut down on software piracy, the company said in a press release.

The computer makers installing the latest Microsoft operating system are Legend, Founder and Tontru.

Microsoft said it will donate 400,000 yuan ($48,000) from initial sales of the software in China to the country's flood stricken areas.

Microsoft released the English language version of Windows 98 on June 25.

Shell to cut crude processing in S'pore

SINGAPORE: Shell Eastern Petroleum said Monday it will cut crude oil processing at the country's biggest refinery to just under half of its capacity, reflecting Asia's dwindling demand for petroleum following the regional economic crisis.

The Bukom refinery, run by a unit of Royal Dutch/Shell Group, will process about 29,000 tonnes a day in September, or 49 per cent of design capacity.

Last month, Bukom operated at about 71 to 73 per cent of full capacity, producing 42,000 to 43,000 tons of petroleum a day.

The refinery, designed to process 59,000 tons a day, has been operating at below capacity for most of the last year because of low prices and a weak export market.

But the September operating level, announced by a Shell spokesman because of "continuing adverse market conditions," will be the lowest monthly output for the year.

Among Singapore's other three refiners, Singapore Refining Co and Mobil Corp have cut crude runs by 15 to 16 per cent. Figures for Exxon Corp were not immediately available.

Inflation begins to slow in Thailand

BANGKOK: Inflation in recession-bound Thailand has begun to slow and should finish the year under the target set by the International Monetary Fund, the Ministry of Commerce said on Tuesday.

As part of a $17.2 billion bail out, the International Monetary Fund has set targets for a range of economic indicators that it wants the Thai government to achieve.

Thai consumer prices rose 7.6 per cent in August from the same month last year, while wholesale prices jumped 12.9 per cent, the ministry said Tuesday.

Both figures reflect a significant moderation of the country's inflation rate. Last month, prices as measured by the consumer price index jumped by 10.0 per cent, while the wholesale prices shot up 19.5 per cent.

Inflation has eased from a peak in June of 10.7 per cent, the biggest increase in a decade.

Karun Kittitaporn, director general of the ministry's Business Economics Department, said the increase by the consumer price index for the whole year should come in under the most recent target of 9.2 per cent specified by the IMF.

In the first eight months of the year, consumer prices rose 9.5 per cent from the same period last year, while wholesale prices were up 18.4 per cent.

— *AP reports*