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Body formed to scrutinise draft industrial policy

A five-member cabinet committee has been formed to scrutinise various aspects of a new industrial policy which officials said will be announced by middle of December, reports UNB.

The committee was formed in a cabinet meeting held with Prime Minister Sheikh Hasina in the chair at her office yesterday. Finance Minister Shah S A S M Kibria is convenor of the high-profile body.

Other members are Education Minister A S H K Sadique, Commerce and Industries Minister Tofail Ahmed, Minister without portfolio Lt Gen (Retd) Noor Uddin Khan and State Minister for Planning Dr Mohiuddin Khan Alamgir.

A meeting source said the draft of the policy had already been finalised "in keeping with the fifth five-year plan (1997-2002) and giving priority to private sector-led growth." The industrial policy will be effective till the formulation of next one.

Ministers and state ministers-in-charge of various ministries attended the cabinet meeting. Cabinet Secretary, Principal Secretary to the Prime Minister and concerned secretaries were present.

Revenue income falls short of target

Revenue income fell 13 per cent short of the target during the first quarter of the current fiscal year to the discomfort of the national exchequer, reports UNB.

"In real terms, revenue income in the first quarter was all-time low," said an official of the Finance Ministry.

The collection during the July-October period is estimated at Tk 4159.35 crore as against the target of Tk 4743.72 crore, thus recording a shortfall of Tk 584.37 crore or 13 per cent, officials said.

The dismal picture is likely to upset the government's projection of development activities. A 14 per cent growth in revenue income projected for the first quarter could not be achieved.

SCB's Moneylink non-branch ATM in Chittagong

Standard Chartered Bank has recently launched the first Moneylink non-branch ATM in Chittagong at the Yunusco Complex premises at GEC Crossing, Nasirabad, says a press release issued yesterday.

Mohammad Robiul Islam, Executive Director of Bangladesh Bank, Chittagong, inaugurated the non-branch ATM.

Geoff Williams, Chief Executive of Standard Chartered Bank Bangladesh, Majedur Rahman, Head of Consumer Banking, Mohammad Ali Chowdhury, Manager of Chittagong Branch, were present at the inauguration ceremony.

A new dimension of modern banking has been introduced in the port city with the launch of the Moneylink non-branch ATM. Through it, customers of Standard Chartered Bank can avail of a variety of services that include withdrawing cash, depositing cash/cheques and getting account-related information on a 24-hour basis.

In addition to Moneylink ATMs, the bank has made valuable contributions to the banking industry of Bangladesh by pioneering such state-of-the-art services as 24-hour phone banking, account access from any local branch and instant fund transfers between Dhaka and Chittagong.

DHL readies to expand delivery network

As the holiday season approaches, the DHL Worldwide Express network is preparing to expand its delivery network to meet an anticipated increase in express shipments and to ensure reliable and uninterrupted service for customers, says a press statement issued yesterday.

The expanded scope of operations will be based upon expected increases in customer volume over the busy holiday season. DHL typically delivers a full one-third of its total annual shipment volumes in November and December.

To meet the heightened demand, DHL will acquire supplemental temporary aircraft, increase flights of existing aircraft, secure additional capacity from cargo carrying airlines, hire additional temporary employees and temporarily move some part-time employees to full-time status.

"The flexibility of the DHL network enables us to quickly ramp up our operations as we do every year during the holiday season," said Patrick Foley chairman and CEO of DHL Airways, Inc. "With our dominant market share of the international express market, the DHL network is designed for handling the needs of US businesses shipping overseas."

DSE surveillance team finds fault with SPM operations

Manipulation in Quasem Silk trading unearthed

By M Shamsur Rahman

Imagine a situation where a broker is continuously buying and selling huge volumes of shares of a certain company for hours on a particular day shooting up its prices. At one point, he buys the majority shares of the company from other brokers. At the end of the day, the other brokers who had sold the shares, although they were not in possession of those, in the hope of buying them later at lower prices, find that the market is totally controlled by the monopoly broker. Other brokers, who by this time finds themselves short of shares, are compelled to buy shares of the company from the monopoly broker at higher rates. They needed to buy shares badly because they have to deposit them with the DSE clearing house. In the process, the monopoly broker makes a clean profit.

This is a dramatic example of stock market price manipulation. And this is exactly what happened at the Dhaka Stock Exchange (DSE) on November 3, 1998.

According to the preliminary findings of DSE surveillance team, SPM – a securities firm – traded huge volumes of Quasem Silk (QS) stocks in favour of a so-called client and inflated the price making it harder for others to buy from the firm.

Interestingly, SPM Managing Director Lutfar Rahman paid for the purchase of shares on behalf of the client and the cheques were drawn on his wife's account.

Surprisingly, the client has been doing business through SPM for only four days, which shows an unusual kind of faith placed in the client by the firm.

"We are unable to find any separate identity of the client as the addresses of the Managing Director of the firm and that of the client are the same and the wife of the MD is issuing cheques on behalf of the client," the DSE surveillance report said.

"The total number of the issued shares of the company is 20 lakh, but the firm bought about double the shares that the company has. This abnormal position ultimately made another member to be a short seller. And that short seller had no alternative but to buy back the already sold shares at the dictated price of SPM. In this way, the said firm has induced the market as a whole and thereafter, sold his shares and thus: (A) induced other persons by deceiving them to purchase the shares of Quasem Silk Mills Ltd, which others would not do had they not been deceived. (B) Directly affected a series of transactions in the said securities and raised the price of the securities for the purpose of inducing its purchase by others," the DSE surveillance report said.

The DSE had held several meetings to decide on possible punishment for the offender, but it failed to come up with anything so far.

Some brokers and council members say that following the DSE automation, the bourse should have brought about changes in such irregularities.

"There is no DSE regulation stating punishment for such irregularities and there is also no definition of manipulation," a DSE councillor said.

However, officials at the SEC said the Securities and Exchange Ordinance, 1969, clearly defines fraudulent acts and states that "no person shall, for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to his advantage, sale or purchase any security, directly or indirectly...."

There are provisions for punishment for such offence.

On November 3, 1998, a total of 1,04,38,500 shares of Quasem Silk were traded whereas the number of issued shares of the company are 20 lakhs. On the previous day, 578,300 shares were traded.

The DSE surveillance report said that a total of 74.90 lakh Quasem Silk shares, about 72 per cent of its total transaction of the day, were traded through a single brokerage firm – SPM Ltd.

Glimpses of SPM and other companies' transactions in QS shares on November 3, 1998 :

Glimpses of SPM and other companies' transactions in QS shares on November 3, 1998 :

Trading firms	Total	Percentage	Purchases	Sales
SPM Ltd	74,90,900	72 %	38,05,800	36,85,100
Others	29,47,600	28 %	14,13,450	15,34,150

The DSE investigation also revealed that SPM on November 3, purchased 38.05 lakh shares of QS for Tk 9.16 crore and at the end of the day, it sold 36.85 lakh shares for Tk 9.54 crore.

This shows that the firm made an outright profit of Tk 38 lakh from the deals. In addition to this, it also earned 1.20 lakh shares, worth over Tk 30 lakh.

A DSE investigation into the records and accounts of the brokerage house also revealed that the firm initially purchased 4.16 lakh shares in a ceaseless manner and then gradually bought 33.90 lakh more shares. On the other hand, it sold 36.85 lakh shares in the market.

"Through this continuous and gradual purchase and sales activities, the firm induced the market by raising the price of the share from Tk 21.50 to Tk 26.00," the DSE surveillance officials said in its report.

"As per his records, one single client bought 35.16 lakh shares, totalling over Tk 8.5 crore, at an average price of Tk 24.27 and sold 34.24 lakh shares at an average rate of Tk 25.90," the report said.

Against this huge purchase of shares, the so-called client deposited only Tk 25 lakh with the firm. The money receipts also revealed that the Managing Director of SPM Lutfar Rahman himself paid for the purchase of the shares for the client. The cheques were drawn on the account of Shally Rahman, wife of SPM MD. Shally Rahman is also the Chairperson of the company.

The DSE investigation also revealed that this 'client' was a new-comer in stock business and his first order was carried out by the SPM on October 29, 1998, just four days before the manipulation took place.

When the DSE team wanted to check the ledgers of SPM to know the identity of the client, the firm failed to produce the book.

"But later, the firm produced the ledger account of the client with three transactions including those identified by the surveillance officials," the DSE report said. "The addresses of the client and the MD were also the same."

Further investigation into the ledger account also revealed that the SPM MD carried out "a huge number of transactions in his own account and no form 'D' was submitted to the Exchange" violating regulations.

When contacted, SPM MD Lutfar Rahman denied the allegations of the DSE surveillance team.

" The surveillance officials did not contact me and they took information from my computer operator," said Rahman. " There is a provision for 'netting' and DSE does not have any right to inspect my client's account. They should not even worry about my client's financial condition until my company defaults."

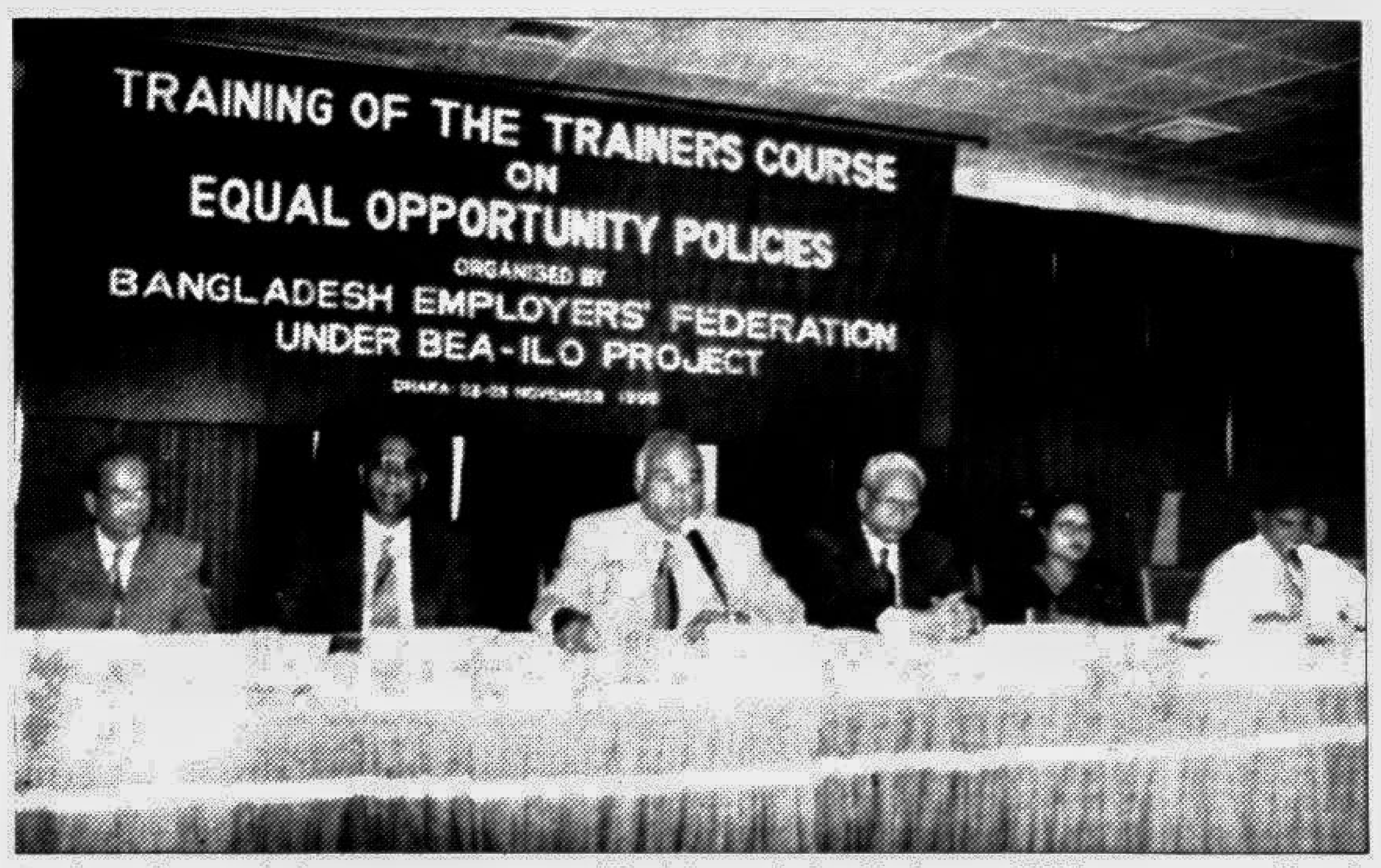
Rahman further said that his client was an expatriate and was well known to him as a solvent person.

"Since my client is an expatriate, he deposited his money in my wife's account which I had to draw to settle the DSE clearing house claims," he said.

"There is no bar on sale or purchase of shares at a higher or lower price," he said. "I can even buy a whole company if I want."

Total trade on November 3, 1998, and Quasem Silk's share of the trade:

Total trade	Volume	Percentage	Value in Tk .ooo	Percentage
Day's total volume traded	2,18,67,561	100 %	48,68,27	100 %
Quasem Silk	1,04,38,500	48 %	25,88,00	53 %



A three-day training programme on "Training of the Trainers (TOT) course on Equal Opportunity Policies" organised under the BEA-ILO project, was inaugurated at the conference room of the Bangladesh Employers Federation (BEF) yesterday. A S M Quasem, Acting President of BEF, inaugurated the training programme. M A Hassanein, Director of ILO Area office, Dhaka, and C K Hyder, Secretary-General of BEF, were also present. — BEF photo

Economic reform efforts praised

Clinton calls for end to ROK 'unfair' trade practices

SEOUL, Nov 23: US President Bill Clinton on Saturday praised South Korea's economic reform efforts, but urged faster progress and expressed concern over Seoul's alleged unfair trade practices, says AFP.

"The US will support you efforts", Clinton said in a news conference following a summit with South Korean President Kim Dae-Jung.

Clinton lauded Kim's quest for economic reform but urged South Korea to speed up corporate restructuring, open its markets further and resist any "temptation to protectionism."

"The United States looks to area for its leadership in maintaining and expanding open markets during Asia's economic difficulties," Clinton said.

He also called for an end to South Korea's unfair practices and subsidisation in sensitive sectors like steel and semiconductors," reflecting simmering trade rows over US charges of South Korean steel dumping.

The steel row loomed as a major topic at the summit overshadowed by security concerns.

Seoul insists it has not bolstered steel exports to the United States through official subsidies in a bid to ship its way out of its worst economic crisis in decades.

Kim emphasised greater foreign investment was what South Korea needed to achieve an early solution to the crisis.

Clinton said South Korea's giant family-owned conglomerates, or Chaebol, should speed up restructuring.

It is very important that all the segments of this society, including all the conglomerates, play their part as well, Clinton said.

At a roundtable session later with South Korean businessmen and civic leaders, Clinton challenged top conglomerates and banks here to speed up reform if they want to attract foreign capital.

"From my point of view, my impatience on the restructuring of the big five, I would say it should take time and we should be patient, but they should begin — they should begin," he said.

The Chaebol, which helped create the country's economic miracle in the 1960s and 1970s, are now being partly blamed for its collapse last year.

Seoul's efforts to stimulate recovery have been hampered by the weight of billions of dollars in bad debt and by continued borrowing by the Chaebol, which have been reluctant to undertake business reforms.

Trade officials here worry Washington may toughen regulations on South Korean imports.

"Although we do not give any subsidies to the steel industry, we are worried about the issued considering the fact that US steel makers file anti-dumping suits on the slightest hint of suspicion," a senior South Korean official said.

South Korean steel exports to the United States in the first nine months of 1998 doubled to 1.16 billion dollars, with 2.88 million tonnes of the metal shipped.

South Korean officials here say that some US lawmakers have enlisted Clinton's help in limiting imports of Korean-made steel.

Washington last week announced preliminary anti-subsidy duties on imports of certain types of stainless and strip steel from South Korea, France and Italy.

Russia unable to repay all debts in '99

MOSCOW, Nov 23: Russia, embroiled in economic gloom, said on Friday it was unable to repay all its foreign debts next year and sought relief from creditors.

President Boris Yeltsin, whose authority has been sapped by the economic crisis and by poor health, discussed with a senior security official plans to combat separatism in the vast, multi-ethnic Russian Federation as the financial crunch deepens.

But far from Moscow, on the steppes of Kazakhstan, Russian national pride won a sorely needed boost from the launch of the first module of the $60 billion International Space Station.

Deputy Finance Minister Mikhail Kasyanov told Reuters Television Russia would be able to repay less than $10 billion out of $17 billion of foreign debt due next year.

He said he expected Moscow would hold talks with governments and banks next week to put off making some payments on debts Russia inherited from the Soviet Union, but the country would try to meet all the commitments it made since 1992.

The government later issued a statement confirming that it had asked the creditors for talks.

Russia's economic plight, which worsened sharply in August after the previous cabinet devalued the rouble and declared a temporary moratorium on some foreign debt repayments, has stoked tensions between the federal centre and the regions.

Earlier this week President Kirsan Ilyumzhinov of the poor, mostly Buddhist region of Kalmykia said he was ready to secede from Russia because of a lack of federal funding.

Russia's Communist-dominated lower house of parliament, the State Duma, angrily denounced the threat on Friday and urged the authorities to take tough action against separatism.

Kalmykia also dominated Yeltsin's talks at his Gorky-9 residence near Moscow with Vladimir Putin, head of the Federal Security Service (FSB), a successor body of the Soviet-era KGB.

-- Reuters Internet

Geoff Williams, Chief Executive of Standard Chartered Bank Bangladesh, poses with officials of the bank after opening the first Moneylink non-branch ATM at GEC Crossing, Nasirabad in Chittagong, recently. — StanChart photo

S'pore launches controversial futures contract

SINGAPORE, Nov 23: Singapore's bid to eclipse its financial competitors in Asia took a step forward Monday when its monetary exchange launched a controversial futures contract based on stocks nearly identical to Hong Kong's benchmark index, reports AP.

The Morgan Stanley Capital International Hong Kong Stock Index Futures contract was released on the Singapore International Monetary Exchange, or SIMEX, after a one year break despite vehement opposition from Hong Kong's stock exchange.

Officials from the Hong Kong bourse have said that the futures contract — based on an index that is practically the same as the Hang Seng Index — may be used by speculators to renew attacks on the Chinese territory's stock market.

Futures allow investors to protect themselves against price changes by requiring those who hold the contract to buy or sell a security, currency or commodity at a predetermined price during a stipulated period.

The Hong Kong stock exchange has warned information providers not to give SIMEX or Morgan Stanley Capital International the real-time price data required to compile the rival index, and has cast doubts on the ability of Singapore's exchange to properly regulate the Hong Kong-linked futures.

But Morgan Stanley has effectively foiled Hong Kong's efforts to block the market data by releasing the formula for the rival index on its web site, allowing anyone with the real-time information to calculate the MSCI Hong Kong Stock Index themselves.

Singapore's decision to relaunch a contract that enjoyed only marginal business during five years of previous trading is seen as part of a move to outdo its principal competitor in the region and catapult the city-state into Asia's premier financial center.

While Hong Kong has recently intervened to prop up its stock market, raising investor fears that it has cashed in its laissez-faire approach for more control, Singapore has been busy liberalising its markets and easing previously rigid regulations.

Singapore officials have argued that the futures contract isn't aimed at stealing business away from Hong Kong, and have reassured their counterparts that Singapore's regulations will prevent speculators from attacking the Hong Kong stock market.

"Exchanges that adopt an enlightened approach to competition find that there is a bigger pie to share," said SIMEX president Ang Swee Tian earlier this month.

Discussions between the exchanges failed to resolve the issue, however. It took a meeting between Hong Kong chief executive Tung Chee-hwa and Singapore Prime Minister Goh Chok Tong last week to soothe fears.

The two leaders agreed to get their regulation authorities to cooperate more closely so that speculators would not take advantage of what is called "regulatory arbitrage," or differences in trading regulations.

New rules threaten East African cooperation

Robert Otani writes from Nairobi

The informal sector has been seen as an engine for growth in many sub-Saharan nations, with Kenya's jua kali movement leading the field. Gemini News Service reports on new trade rules which could stifle its development.

Kenya's business community is gripped with fears that a Tanzanian government decision to impose unilateral new trade regulations might harm trade relations between the two countries.

The regulation applies to all goods originating from Comesa countries (the Common Market for Eastern and Southern Africa). Comesa consists of 24 countries including Tanzania, Kenya, Angola, Ethiopia, Eritrea, Somalia, Malawi, Uganda and Mauritius.

The new regulation says those wishing to trade in the country can only do so through business agents registered with the Tanzanian government. The agents also have to prove that they are of the same company or sister company to the exporter and the goods to be imported and sold in Tanzania have to be specified before they are allowed in.

According to Tanzania, the move is designed to slow the flow of goods that come in from the informal sector across the border, possibly undercutting equivalent Tanzanian businesses.

"The new regulation is aimed at checking this imbalance," said a spokesman for the Tanzania Revenue Authority.

He pointed out that the government has been having problems of tax evasion, particularly on imported goods. "The government took the measure to make sure that all the good entering the country's market are taxed accordingly."

The regulation says goods "will be impounded if the exporters to this country operate outside this arrangement."

The move has elicited a response from the Kenya National Chamber of Commerce and Industry (KNCCI) which says it will lodge a protest to the Tanzania government, arguing that the regulation will bar small-scale traders in Kenya from penetrating the Tanzania market.

KNCCI national chairman Kassim Owango said that "the move will definitely hit the small-time business people involved in cross-border trade. The requirement flies in the face of the new spirit of East African co-operation."

Owango charges that cross-border, small-scale business between Kenya and Tanzania is 150 per cent greater than its large-scale counterpart, and should not be killed so unilaterally. "The TRA commissioner-general must appreciate the move's potential impact on the information sector in either country, which has been working to towards becoming a leading employment source", he argues.

According to KNCCI, only a few major manufacturing concerns may meet the new demand and that the small-timers will find it too cumbersome, let alone affordable.

As a rule, goods brought into Tanzania from within the Comesa region are subject to preshipment inspection to ascertain their value. The new rule classifies such products as shoes, clothes, textile materials, rice, crude and refined oils, sugar and wheat.

What makes the requirement particularly unwieldy to the small-scale traders is that, when applying for an agent's licence, the person must produce a certificate of incorporation or registration. He will also be required to have a value added tax (VAT) registration certificate from the Tanzania government.

This applicant must also have a valid business licence, also from the government.

This is likely to put paid to efforts started in 1994 by presidents Daniel arap Moi of Kenya and Yoweri Museveni of Uganda, and then president of Tanzania Aly Hassan Mwinyi, to revive the East African Community that brought together three countries in a trade family. It collapsed in 1977 due to unequal economic growth and mutual suspicions between the three countries.

At present, the draft treaty for the new East African Co-operation is being debated in all three parliaments and its terms are expected to take effect from the year 2000.

But spats, always involving Kenya and either of the other two countries, every now and again, rear their ugly heads to dampen the new spirit. An earlier tiff involving Kenya and its southern neighbour occurred in July 1997, forcing Tanzania to suspend preferential tariffs for the Comesa member countries.

The decision threatened to harm trade between Kenya and Tanzania, both of whom are Comesa members. Kenya's major complaint at the time was that, while Tanzania exempted South Africa, a non-Preferential Trade Area (PTA) country, it had decided to punish its fellow PTA members, Kenya in particular. The move threatened to shake the very foundation of the East African Co-operation as it would restrict Tanzanian imports from Kenya and Uganda.

Tanzania's new regulation is simply another pressure put on an already shaky structure. The country is supposed to work in tandem with the Comesa cross-border rules. But it remains to be seen whether it is actually against them.

ROBERT OTANI is a freelance Kenyan journalist based in Nairobi.

Indonesian banks to tap US Ex-Im Bank loan

JAKARTA, Nov 23: Seventeen Indonesian banks are to open letters of credit to tap a $1 billion trade-financing loan provided by the US Export-Import Bank, a local newspaper reported Monday, report AP.

The daily Bisnis Indonesia quoted Nana Supriana, the deputy head of international affairs at Bank Indonesia, the central bank, as saying seven of the banks are state-owned banks.

The remaining 10 are private banks licensed to conduct foreign-exchange transactions.

He said half of the trade-financing loans were allocated to state banks.

Nana didn't disclose the names of the banks. He said each of the private banks is entitled to open letters of credit of up to $50 million.

Several countries have pledged trade-financing loans to Indonesia to back letters of credit because of a widespread lack of confidence in the country's banks.