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## Japanese govt okays \$ 705b budget

TOKYO, Dec 25: The Japanese government today approved a record budget worth 81.86 trillion yen (705 billion dollars) for the year to March 2000, officials said, reports AFP.

The budget, approved at a special Cabinet meeting, is up 5.4 per cent from the initial outlay for the current fiscal year to March 1999.

The government aims to haul Japan out of recession with the huge budget and achieve 0.5 per cent growth although 37.9 per cent of spending is for the year to March 2000, officials said, reports AFP.

General expenditures — the overall budget minus debt-servicing costs and tax allocations to local governments — is up 5.3 per cent to total 46.89 trillion yen, posting the highest year-on-year rise in 20 years.

## US welcomes Kyrgyzstan's admission to WTO

WASHINGTON, Dec 25: The State Department said Tuesday it warmly welcomes Kyrgyzstan's admission to the World Trade Organization, says AP.

Spokesman James P. Rubin noted that Kyrgyzstan is the first of the newly independent states of the former Soviet Union to complete the accession process.

"This step is an important milestone in the Kyrgyz Republic's integration into the global economic community and is a sign of its leadership on market reform," he said.

## Depression in bourses blamed for inertia

# Merchant banks still mere spectators in capital mkt

By M Shamsur Rahman

Almost a year after getting approval, the merchant banks are still playing the role of mere spectators in the country's capital market.

Most of these companies are blaming their inactivity on the depressed market saying that the prevailing situation is too risky for them to enter into any deal.

The Securities and Exchange Commission (SEC) on January 22 this year allowed ten companies to operate in the market. Of them, seven were licensed to work as full-fledged merchant banks while the rest of the three were allowed as issue managers.

Later, the regulators approved operations of five more merchant banks.

Many of these newly-licensed merchant bankers and issue managers are watching their business slide into red. These companies are struggling to stay in business, but the prevailing market sluggishness is making them witness an erosion in business everyday.

Most of these companies blame the 1996 share scam, which made many investors shy away from the market, for the market depression.

The 12 merchant banks and the three issue managers have completed the paper works for flotation of some initial public offerings (IPOs), but they are

discouraging the issuers from going public at this moment. They fear that the IPOs may remain undersubscribed in such a depressed market. Even the merchant banks are not willing to underwrite any issue now.

### IPOs being processed by merchant banks

Banco Transworld BD Ltd, which received its licence to operate as a merchant bank, is currently working on three IPOs — Impact Shoe Industries Ltd, Macro Footwear Ltd and Alisco Foods Ltd.

Millennium Investment Management Co Ltd, another merchant bank, is busy with two issues — Karim Aluminium Ltd and Harnest Label Industries Ltd.

Pangaea Partners Bangladesh has signed a contract with Apollo Holdings Limited for the investment advisory and IPO management services. However, the new issue is not expected before the year 2001.

Vanik Bangladesh Ltd is learnt to be processing some IPOs and paperworks of one of these are about to be completed.

Sources in these companies said that the issue managers were advising these companies not to go public at this crisis moment.

### No portfolio business

It was expected that the merchant banks would play a meaningful role in salvaging the country's limping stock market by generating fresh funds. But in reality, none of these banks lived up to the expectation.

The merchant banks are usually engaged in issue management, underwriting and portfolio management activities.

But here, the banks have not launched any promising drive to pool funds from investors for portfolio management. The merchant banks net in funds from individuals or institutions and design their own investment portfolios.

"The issue managers and underwriters will not be able to contribute that much unless funds find their way into the market and there lies scope for the merchants banks to play a crucial role," an SEC official said.

Moreover, their professional attitude towards risk-return analysis could help build investor confidence, now a crucial factor for the ailing market.

### Portfolio operation unlikely before end of 1999

It is yet uncertain when the merchant banks would actually

resume portfolio management and officials say it all depends on the market condition.

Some banks hope that the market will improve next year.

"We were given the licence when the market was going through a depression. The number of IPOs are also less in numbers and are coming slowly. The market has not seen any IPO in the last six months," according to Aminul Islam, MD, IDLC of Bangladesh.

He also said that it was very difficult for companies to arrange portfolios for investors. "We have to ensure profits before asking anyone to come and invest. And we are finding it a bit hard to ensure that."

### Will SEC extend the deadline again?

The SEC has extended the deadlines for merchant banks several times.

"No companies, other than the MBs, would be allowed to handle IPOs after December 31," an order from the regulators said.

The latest deadline was the third consecutive one. The first one came in July while the second one was set in September.

By December 31, 1998, we are expecting a sufficient number of merchant banks and only these would be allowed to process the IPOs.

## Indiscriminate use of gas Bakhrabad field may be exhausted by 2000

COMILLA, Dec 25: Bakhrabad Gas Field may have to be discarded by the year 2000 because its 2.78 trillion cubic feet reserve may be exhausted by that time, sources at the gas field say, reports APB.

Production capacity of the biggest gas field in the country has already gone down by nearly 50 per cent which has affected gas supply to different areas of the country including Dhaka city.

The sources told APB that the situation resulted from indiscriminate use of gas from the gas field. It may be mentioned here that an excessive quantum of nearly 200 million cubic feet of gas used to be lifted from the eight gas wells of the Bakhrabad Gas Field per day ignoring the advice of experts. This has affected the lower structure of the gas field, they said.

As a result of unscientific lifting of gas, water and sand particles got mixed up with the gas, which has reduced the flow of gas to 94 million cubic feet.

Two out of its eight wells had to be closed down last year. The sources said that the number of operational wells have now come down to six and their condition is also "critical".

The quantity of sludge accompanying the gas is increasing with every passing day. The experts have advised the authorities to reduce extraction of

gas from the field.

The Bakhrabad Gas Systems Limited used to supply some 65 million cubic feet of gas to Bakhrabad-Demra transmission line. Out of this, some 25 million cubic feet was supplied to Haripur Thermal Power Station. The remaining 30 million cubic feet was supplied to the consumers in the capital city.

At the moment, however, the Bakhrabad Gas Systems Ltd is supplying 25 million cubic feet of gas to Titas Gas Transmission Company, as a result of which consumers in Dhaka city have been facing an acute crisis of gas supply.

It may be mentioned that the Bakhrabad Gas Systems has been receiving 60 million cubic feet of gas from the Shangu Gas Field, but even with this supply, the company is in no position to meet the demands.

### Thai deputy agri minister quits

BANGKOK, Dec 25: Under fire for falling rubber prices, Thailand's deputy agriculture minister has submitted his resignation to Prime Minister Chuan Leekpai, citing failing health, reports AP.

Thai media reported Friday that Somchai Sunthorwat, a member of Chuan's Democrat Party, had cardiovascular problems.

## Shell acquires ICI ethoxylation unit in UK

Shell Chemicals UK Ltd recently announced its acquisition of ICI's ethoxylation unit (Ethoxylates 4) at Wilton, Teesside, UK, the related commodity surfactants business, as well as its interests in the distribution of ethylene oxide in the UK and to the Western European markets.

It is also acquiring the UK resale businesses in propylene oxide and propylene glycols. ICI will continue to operate the ethoxylation plant on Shell's behalf under a term agreement, says a press release.

Completion of the agreement, which is subject to regulatory approval, is expected early next year.

ICI is divesting the business to Shell along with its market position in Europe, Africa and the Middle East, in respect of linear alcohol ethoxylates sales into household detergents.

Shell will continue to expand its interests in the high volume household detergents sector through its strong supply chain and raw material integration.

As part of the agreement, Shell will become a key supplier of raw materials to ICI's surfactants business.

"This is an important development for us," said Terry Hewitt, Higher Olefins Business Manager, EU/Africa Region.

## DHL launches overnight service to S Africa

DHL Worldwide Express, the world's leading air express company launched "Overnight Service to South Africa" recently, says a press release.

Rudy J. Pesik, the company's President Commissioner, speaking at seminar on "export and import market opportunities in South Africa" said,

"South Africa possesses enormous trade potential for Indonesian exporters. DHL is providing this overnight air express delivery service to further support Indonesia's export industry and enhance bilateral trade."

Trade between Indonesia and South Africa for the first nine months of 1997 increased 70 per cent compared to 1996. South African Ambassador BS Kubheka said, although the trade balance is slightly in favour of South Africa, he believes that the fall in the value of the rupiah provides Indonesian businessmen with an opportunity to export more to South Africa so that the gap can be closed or even be turned to Indonesia's advantage.

Ambassador Kubheka added that Indonesia should consider South Africa as a springboard into the rest of the African continent.

Products that currently dominate Indonesia's exports to South Africa are textiles, vehicle products, basic machinery and components and plastic articles.

Meanwhile, Mike Fitzpatrick, Senior Technical advisor DHL said, "Our involvement and support for this seminar reinforces DHL's commitment to our clients, introducing them to new export opportunities and supporting their efforts to reach new markets."

DHL Worldwide Express, is the world's leading air sort, linking more than 635,000 destinations in 227 countries and territories.

DHL has a fleet of over 220 aircraft worldwide.

## Flexible currency helped Australia weather Asian crisis : Howard

CANBERRA, Dec 25: A flexible exchange rate had buffered Australia's economy against shocks from the Asian economic crisis, Prime Minister John Howard said Wednesday, reports AP.

"If ever you had an illustration of the advantage of the flexible exchange rate, it's how it's worked to Australia's favour over the past year," Howard told Australian Broadcasting Corp radio.

One of the reasons why Australia has been able to adjust so well and to absorb without real damage the shocks coming from the Asian Pacific region is that we've had a flexible exchange rate and been able to take the adjustments through our exchange rate.

"If we'd have had a regulated approach, a controlled exchange rate, we would have been knocked around a lot more because the decisions that are taken daily in a micro way in a flexible exchange rate system won't be taken in that way in a controlled exchange rate."

Howard said Australia had suggested a number of reforms to international finance systems, particularly in relation to the activities of hedge funds.

He said he hoped the Group of 22, the world's middle-sized economies, including Australia, would take note of the suggestions.

"I think if there can be more concerted action we can smooth out some of the bumps that have occurred without in any way undermining the fundamentals of the global market system," Howard said.



THE BUYING RUSH: The city markets have, these days, been witnessing a substantial supply of papaya from Pabna and Ishwardi. The increased availability has brought down the price of the fruit and raised its sales. The photo was taken recently from Shyambazar.

## Spl credit for fish exporters awaits BB approval

Country's frozen food exporters are likely to get a special credit facility from the commercial banks to overcome a crisis stemming from a slump in world markets, reports UNB.

A proposal for extending fresh credits to the tune of 15-20 per cent of working capital of the frozen food exporters, segregating their overdue loans, awaits final approval of the central bank.

Officials told UNB the bailout aimed to enable the exporters to minimise their stock-lot problem induced by huge currency devaluation specially by the key frozen food-exporting countries in South

East Asia in their bid to tide over a financial meltdown.

The proposal was mooted after a recent meeting of Deputy Governor of Bangladesh Bank Ibrahim Khaled with the nationalised commercial banks at an instant directive of Finance Minister Shah AMS Kibria.

The minister asked the authorities concerned to take immediate steps to overcome the prevailing problem in world markets, following persuasion by the Bangladesh Frozen Food Exporters Association (BFFEA).

"We are highly pleased that the Finance Minister gave special attention towards over-

coming the problem," BFFEA president Golam Mostafa said hoping that Bangladesh Bank's orders will be coming shortly.

If the earlier loan of Tk 40 lakh each for 41 frozen food-exporting firms for their modernisation could be paid, he said, the exporters would be able to repay the fresh credit to be extended to them.

The stock-lot problem crept into the sector as price of frozen foods in world markets plummeted 30 to 40 per cent as Thailand, Indonesia, China and Malaysia depreciated their currencies amid the sweeping financial crisis.

## Japan extends \$870m loan to Indonesia

TOKYO, Dec 25: Japan officially extended today 100 billion yen (870 million dollars) in loans to help Indonesia overcome its economic crisis, the foreign ministry said, reports AFP.

The yen loans from the remainder of 150 billion yen Japan had pledged for fiscal for the year to March 1999.

The first tranche of 50 billion yen was disbursed in October.

The loans are aimed at assisting the most vulnerable in Indonesia and helping Indonesia import daily necessities, the ministry said.

They carry a concessionary interest rate of 1.0 per cent and are to be repaid over 30 years including a 10-year breathing space.

## Russian banks need \$5b to cover their debts

MOSCOW, Dec 25: Russian banks left dangling by the government's debt default of mid-August suggested on Thursday that they be repaid in state-owned assets or shares in businesses with state stakeholdings, says AFP.

"The banks currently need 100 billion rubles (five billion dollars) to cover their debts" caused by Moscow's decision to freeze reimbursements of 250 billion rubles' worth treasury bonds on August 17, said the President of the association of Russian Banks, Sergei Yegorov.

Only half of the 1,500 banks which existed before the default are still in business, according to the association. The central bank is insisting on bankrupting 680 commercial banks,

Yegorov said.

The government's debt restructuring proposal — to pay 10 per cent of the debts in cash, 20 per cent in investment bonds and 70 per cent in new long-term, interest-bearing paper — "has bled dry the banking system," Yegorov said.

"The state must look at paying the banks in assets or with shares that it holds in different companies," he said.

He added that the association wanted to negotiate the idea with the government, failing which "we will go to court."

Since the default, the government has paid the banks 23 billion rubles, of which half were "stabilisation credits," he said.

## Commodity: Weekly Roundup

# Gulf crisis drags oil down to 12-year low

LONDON, Dec 25: Oil prices fell to their lowest level for 12 years on the London market after the United States and Britain called off air strikes against Iraq, but picked up later amid signs of simmering dispute in the Gulf.

Brent North Sea crude prices were trading well below 10 dollars until Iraq refused to allow a United Nations plane to land to collect a UN special representative, parking fresh fears of renewed confrontation in the Gulf.

A sharp fall in US temperatures was also thought likely to increase demand for oil there.

Brent North Sea crude prices on the International Petroleum Exchange (IPE) rose by a modest 15 cents to 10.20 dollars a barrel (for February delivery).

Prices on Monday hit an intra-day low of 9.55 dollars a barrel, the lowest level yet seen

since crude contracts were first quoted on the IPE on June 23, 1988.

Crude prices fell after Iraq's oil ministry said that oil exports had not been disrupted by the four nights of heavy air raids against Iraq. Dealers saw no sign of a slow down in Iraqi exports.

**RUBBER:** Soft. Rubber prices fell amid rumours that the International Natural Rubber Organisation did not have enough capital to buy up rubber, despite a fall below intervention levels.

Dealers predicted that the market would weaken further in 1999 in the face of a supply surplus.

On the London market, January contracts fell by 20 pounds to 460 pounds a tonne and February contracts also lost 20 pounds to centre 465 pounds.

On the Kuala Lumpur mar-

ket, the RSS1 index fell to 2.47 ringgits per kg from 2.51 ringgits.

**COCOA:** Chilled. Some technical trading was not enough to halt the slide in cocoa prices.

On the London market, March contracts fell by 23 pounds to 909 pounds per tonne.

Arrivals in Cote d'Ivoire ports in the week to December 20 totalled 510,000 tonnes from 504,000 tonnes at the same time last year.

**COFFEE:** Weak. Robusta prices fell despite official predictions that the Brazilian coffee harvest would be lower than had previously been thought.

March contracts fell to 1.775 dollars a tonne from 1.820 dollars a tonne.

The Brazilian government predicted that production in 1999/2000 would be 23.15 million sacks from 34.547 million sacks in 1998/99.

But dealers predicted a modest uptick in the near term if and when a cold front bears down on plantations in northern Mexico from the United States.

**TEA:** Strong. Demand continued to hold firm in the Mombasa auction houses, the Tea Broker's Association (TBA) said.

High grade BP1 leaves rose by between five and 15 cents a kg.

Low grade leaves showed a similar price increase.

**SUGAR:** Melting. Sugar prices continued to fall amid extremely light pre-Christmas trade after the International Sugar Organisation revised upwards its estimate of the world's supply surplus.

Sugar for delivery in March on the London market fell by two dollars to 235.5 dollars a tonne.

The ISO predicted that the sugar surplus would be 1.05 million tonnes in 1998/99 compared with its previous estimate of 992,000 tonnes.

**VEGETABLE OILS:** Cooling. US soy prices fell as weather conditions in South Africa became increasingly favourable for plantations there. Putting paid to fears of drought damage.

Soy on the Chicago Board of Trade (CBOT) fell by three cents to 5.45 dollars a bushel (of 27.2 kg, January delivery).

On the Rotterdam market, palm oil for January fell by 20 dollars to 640 dollars a tonne.

Sunflower fell by 35 dollars to 630 dollars a tonne, groundnut oil held firm at 860 dollars a tonne, while rapeseed oil fell by 2.50 guilders to 109.50 guilders per 100 kg.

**GRAINS:** Germinating. Grain prices rose slightly amid

thin end of year trade, amid fears of frost damage to US plantations and confirmation from the US Agriculture Department that it was close to finalising a food aid programme for Russia.

Wheat prices on the Chicago market rose by 13 cents to 2.76 dollars a bushel (of 27.2 kg, for January delivery).

Maize prices rose by six cents to 2.19 dollars a bushel (of 25.4 kg, for delivery in December).

**COTTON:** Flat. Cotton prices were unchanged amid flat pre-Christmas trade.

The cotton outlook index remained unchanged at 56.05 cents a pound.

**WOOL:** Muffled. The Australian wool auction houses were closed for Christmas this week the wootools index remained unchanged at 315 pence per kg.