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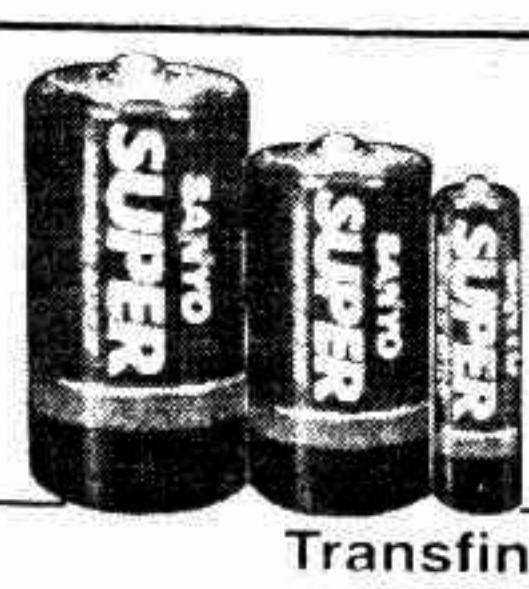
The Daily Star BUSINESS

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Dry Battery

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SEC fines Rupan Oil for failing to pay dividend

Star Business Report

The Securities and Exchange Commission (SEC) has penalised Rupan Oil and Feeds Ltd with one lakh taka for defaulting in payment of declared dividend within the time limit given under the securities law.

The above company has also been directed to pay off fully the outstanding declared dividend to the public shareholders including the institutional investors immediately, says a press release.

The Commission further decided to impose penalty of ten thousand taka on the company for each day of continuing default after issuance of the penalty order on 7th January 1999.

Expatriates send in Tk 8.37 cr

The expatriate Bangladeshis remitted over 3.21 lakh pound sterling and 12.01 lakh US dollars equivalent to Tk 8.37 crore in December through foreign money orders, reports UNB.

Bangladesh Postal Department received the remittance through 9,418 money orders and disbursed the amount to the recipients, said an official handout.

Bangladesh Post Office received over Tk 50.54 crore through foreign money orders during the first six months of the current fiscal till December.

Two pc of Swedish want to join EMU

STOCKHOLM, Jan 7: Sixty-two per cent of Swedes want to join the European Economic and Monetary Union (EMU), an opinion poll said yesterday, reports AFP.

Sweden, with nearly nine million inhabitants, is a member of the European Union but is not in the first wave of euro-founding countries.

In the poll, carried out by Gallup 36 per cent said they wanted Sweden to join the euro rightaway, while 26 per cent said they were for membership at a later date.

Rubber cultivation prospect bright in Garo hills area

SHERPUR, Jan 7: Prospects for rubber cultivation in the Garo hills region appear to be quite bright, provided the Department of Forestry takes appropriate steps in this regard, reports APB.

If and when this is done, not only the projects would turn out to be profitable, but also a large number of people would be provided with employment, experts viewed.

They explained that places with an average rainfall of 100 inches or more per annum are particularly suitable for rubber cultivation.

It has already been found that quite a number of areas in Bangladesh are suitable for cultivation of rubber. The rubber cultivation has already been undertaken at Chittagong and Sylhet districts.

Locals also have felt that it would be quite remunerative to undertake rubber cultivation in such Garo hills areas as Jhinaighati, Nalitabari and Sreebardi.

One entrepreneur has successfully undertaken rubber cultivation on 54 acres of land in the Sandhyakura area of Garo hills.

Mitsubishi Heavy to supply Boeing rocket project with engine parts

TOKYO, Jan 7: Japan's top space industry company will supply engine parts for Boeing's next-generation rocket development project, a company official said Thursday, reports AP.

Mitsubishi Heavy Industries Ltd will supply an engine valve and a fuel tank for use in Boeing's two-stage Delta 4 series of launch rockets, said Mitsubishi spokesman Yukihiro Terakawa.

Boeing Co, based in Seattle, Washington, is the world's No. 1 aerospace company.

Terakawa said Mitsubishi and Boeing reached a basic agreement on the supply of engine parts recently. But he said he could not comment "at this stage" on whether his company will fully participate in Boeing's rocket engine development project.

The Nihon Keizai business daily reported Thursday that Mitsubishi has agreed with Boeing to jointly develop an engine for use in the Delta 4 rockets. Mitsubishi will be the first Japanese company to fully participate in a US aerospace development project, the paper said.

The US National Aeronautics and Space Administration and the US Department of Defence have been assisting in the development of the Delta 4 which will be used to launch military and commercial satellites starting in the early 21st century, the report said.

Mitsubishi Heavy, Japan's largest comprehensive heavy machinery maker, will use the technological expertise it gained developing and assembling Japan's H-2 rockets for the Delta project.

'Politically motivated' loans disbursed in the past BSB, BSRS virtually go bankrupt

While the government is calling for more private sector investments and business community crying for credit facilities, two state-owned industrial financing agencies are limping due to fund constraints, reports UNB.

Officials said Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) are virtually non-functioning and bankrupt due to huge burden of overdue loans and lack of credit line.

In last two years, the two institutions failed to finance any new project as they did not get any credit support from the government and the donor agencies.

Top officials of both agencies told UNB that "politically motivated" loans disbursed in the past created a huge backlog of overdue loans as many projects became either non-existent or non-viable.

They emphasised that the government should fund BSB

and BSRS for the grow of local industry, but added that the loan distribution must be kept out of political influence.

The officials felt that legal reforms should be made to ease and expedite the judicial procedures to recover arrears.

"We could not provide loan to any new project during the last one year and a half due to fund shortage," said a top executive of BSB.

The last credit support the BSB received from government was Tk 210 crore in 1996 and it is now repaying it with interest. "We've not defaulted with the government, but we're not getting any funding," the official said.

For the last one year, the BSB is trying to woo the government and the donors to give Tk 200 crore and another Tk 100 crore from the Bangladesh Bank and it is hopeful of getting the credit lines.

The BSB shoulders an amount of around Tk 2,000

crore as overdue loans, mostly caused by "dictated and influenced" loans during the past decades, mainly from mid-70s to mid-90s.

Many of the nearly 600 projects indebted to the BSB were sanctioned on political and other considerations during the period and most of them are either sick or non-viable presently.

"As bankers, we can't evade our responsibilities. Many projects were sanctioned without considering whether those will be viable or not," said one official. He also blamed the government's abrupt policy changes embracing the open market economy for turning many units sick overnight.

Yet the BSB claims to have pioneered the growth of local industry. "It was BSB that financed four garment factories when nobody could realise its future," said a senior official. It also gave the base for setting up

of spinning and textile mills which comprise 59 per cent of the bank's total project.

Experts feel that adequate financial support and making bank loans free from all sorts of political influence can help proper industrialisation.

They also stress the need for legal reforms to expedite the court procedures of bank loan recovery in Germany, the whole process of a loan recovery case takes at best one year, but here it takes years after years.

Setting up of Artha Rin Adalots and Bankruptcy Courts did not help much due to shortage of judicial staff.

The BSB has 14 cases pending with the Bankruptcy Courts and 278 others with the Artha Rin Adalots.

A sum of Taka 50 crore provided by the government in 1996 and poor amount of regular recovery of overdue loans make the Bangladesh Shilpa Rin Sangstha (BSRS) survive somehow.

The international financial support stopped much earlier and the government has not extended any financial support since 1996, one top executive of the BSRS said.

BSRS, however, managed to lend about Tk 45 crore and recovered about Tk 35 crore.

Since 1972 the Sangstha has lent some Tk 453 crore and so far recovered more than Tk 700 crore. There is a "big sum" of overdue loans, but there are different views about the term.

"The amount we actually lent has multiplied over the years due to summation of interests, making the figure of overdue loans much bigger day by day," the official said but declined to give the figure of outstanding loans.

In some cases, he said, there were "irrational loans" made under pressure in the past. "But now there is no such scope of influence or pressure. We give money after verifying the project," he claimed.

The Sangstha is now in a position to return Tk 50 crore it borrowed from the government with interest by the year 2000. "But we need Tk 200 crore to Tk 250 crore to meet the demand for industrial finance every year."

If the government really wants local industry to grow and if it wants the BSRS to support the local industries, it must support the Sangstha, the official said.

The government is stressing and offering incentive packages for foreign investment in Bangladesh. "If the local industry does not develop, then how can we expect foreign investment," he said.

The government must channel funds through BSB and BSRS if it wants private sector-led industrial development, he said supporting the demand of trade bodies to strengthen the state-owned industrial financing organisations.

Customs seals 2 insurance offices

Two insurance company offices were yesterday sealed by the customs authorities for not paying Value Added Tax, but late allowed to open with an undertaking, says UNB.

Rupali Insurance and Federal Insurance and Motijheel RAJUK Avenue and Commercial areas respectively were shut by the authorities at 8 am and 7 am.

Later, officials of both the insurance companies rushed to the concerned authorities and managed to get the offices unlocked on promise that they would clear their VAT arrears soon.

Vietnam Airlines plans more int'l flights this yr

HANOI, Jan 7: Vietnam Airlines plans to add several international destinations this year and expand service on some existing routes, a company official said Thursday, reports AP.

The state-owned national carrier will have three flights a week to the Philippines instead of the current two and will add one flight to the two daily trips to Phnom Penh, Cambodia, the official, who asked not to be identified, said in a telephone interview.

It also plans to open direct flights to Beijing, Kunming and Nanning in China.

A direct flight from Hanoi to Moscow will begin by mid-January. Currently, passengers originating in Hanoi have to go to Ho Chi Minh City for a weekly flight to the Russian capital.

"Especially, we will increase the number of flights on this route during the Tet holiday period," the official said.

Tet, the lunar new year holiday that is the biggest event on the Vietnamese calendar, will be Feb. 15-18 this year.

Code-sharing and cooperating with other airlines will be strengthened for routes to Los Angeles and Western European cities, the official said.

Vietnam still has no civil aviation agreement with the United States, blocking direct flights to US destinations.

The airline will study possible cooperation with US airlines on flying passengers on the Hanoi-Los Angeles route to other US cities and apply a "competitively flexible" airfare mechanism to compete with other airlines in the region, the official said.

Vietnam Airlines currently serves Los Angeles via Taipei in an arrangement with Taiwan's China Airlines. The airline also serves US destinations by flying to Paris and hooking up with Air France.

Boeing 767, Airbus 320, Fokker 70 and ATR 72 aircraft will be used for those flights. Entertainment will be diversified on such long trunk routes, the Dai Nippon (investment) newspaper reported Thursday.

Vietnam Airlines transported 2.48 million passengers in 1998, down 2 per cent, from 1997, of which 900,000 passengers were on international flights. It expects 3 per cent to 4 per cent growth in passenger volume in 1999-2000.

Canberra okays tax breaks for infrastructure building firms

CANBERRA, Jan 7: The government on Thursday approved taxation breaks for companies who plan to build four national infrastructure projects - roads, power plants, a gas pipeline and airport - worth 900 million Australian dollars (US \$560 million), says AP.

Deputy Prime Minister Tim Fischer said the projects would go ahead subject to environmental approval.

The four projects, which will create at least 7,000 jobs, include:

Construction of an 500-mile (800-km), 400 million Australian dollars (US \$250 million) gas pipeline from Sale in eastern Victoria to Sydney.

Redevelopment worth 170 million Australian dollars (US \$105 million) of Adelaide Airport's international and domestic facilities, doubling its capacity to handle international flights.

Major road developments for Melbourne.

Building a 154 million Australian dollars (US \$95.5 million) plant generating electricity and steam for industry in southern Sydney.

Subject to environmental clearance, the government would approve tax breaks to the companies which will build the four projects under the Infrastructure Borrowings Tax Offset Scheme, Fischer said.

The largest tax break offered is US \$20 million (Austrian dollar 32.6 million) to Duke Energy Corp for the proposed 500-mile (800 km) liquefied natural gas pipeline from Victoria state to New South Wales state.

Fischer said, although the Australian economy was growing at more than 5 per cent the government "it could not be complacent."

"This is an element of activity to ensure our economic growth," he said, acknowledging predictions that 1999 would be a more difficult year for the nation economically.

Maruti to raise production capacity by 30pc

NEW DELHI, Jan 7: India's largest automobile manufacturer will increase production capacity by nearly 30 per cent to 450,000 units in the next fiscal year ending March 2000, a company official said yesterday, reports AFP.

The idea is to reach but to the mass market as much as possible, keeping in mind the good demand for both 800CC and Zen models in the lower segment of the society," said Hariharan Kasinath, Chief Sales Executive of Maruti Ydyog Ltd.

Maruti is a 50-50 joint venture between Japans Suzuki Motor Corp and the Indian government.

Kashinath said demand for Maruti cars remained steady despite the entry of new players in India's recession-hit automobile industry.

Maruti has taken dramatic steps to retain its 83 per cent share of the car market, slashing the prices of its 800CC runaround by 12 per cent to 4,400 dollars and its diesel zen by eight per cent to 10,144 dollars.

South Korea's Hyundai launched a small family car here in September while Daewoo Launched a similar model in November.

Indian conglomerate Tata rolled out its 1400CC "Indica" last month.

India's car sector was opened to foreign companies following market reforms launched in 1991. The market had been dominated for over four decades by antiquated versions of British cars and later by Maruti.

Analysts say car production capacity in India is already twice the size of demand.

EPZ investment rises to \$320m

The investment in Dhaka and Chittagong EPZs rose to about US \$320.2 million in last two fiscal years against cumulative investment for US \$197.5 million in 13 years till 1995-96, says UNB.

The statistics were presented at the 16th Governors' meeting of the BEPZA held at the Prime Minister's office this afternoon with Prime Minister Sheikh Hasina in the chair.

Hanoi targets 10 pc poverty rate by 2000

HANOI, Jan 7: Vietnam has set a target of having no more than 10 per cent of its population below the poverty line by 2000, down from 15.7 per cent now, a government official said Thursday, reports AP.

The government has allocated 10.124 trillion dong (\$702 million), including state budget funds and bank loans, to fight poverty during the three-year period 1998-2000, the Labour Ministry official said.

Part of the money was used last year to help the poorest families, while the focus in the next two years will be on 1,715 poor villages in remote areas, she said.

Labour Ministry statistics show the poverty rate had fallen to 15.7 per cent - 2.4 million families with 12.5 million people - by the end of 1998 from 30 per cent - 3.8 million families with 20 million people - in 1992.



DESA Secretary Mujibur Rahman and President of China United Electric Import & Export Corporation (CUEC) Pei Zhipeng sign a contract for implementation of Greater Dhaka Power Supply Project Phase-4 yesterday at Bidyut Bhaban. Alhaj Syed Abul Hossain MP, Chinese Ambassador to Bangladesh Wang Chungui, Economic and Commercial Counsellor Wei Zetai, Chairman of DESA KK Altaf Hossain and senior officials are also seen. —DESA photo

Red-letter year for Russia

Russia stands at the crossroads as it enters 1999, its conversion to a capitalist economy under a cloud after the country's financial system went to the brink during 1998.

And in turn, the near-financial collapse of Russia's economy in 1998 helped push the world economy as close to the brink as it has been since the Great Depression.

When the Asian crisis spread to Russian markets, it appeared Latin America might follow and plunge the whole world into financial meltdown. However, concerted action by leading industrialised nations and the International Monetary Fund stopped the rot.

But it's the Russians that have felt the brunt of 1998's market mayhem. Inflation was 84% over the year, the economy contracted by 5 per cent while 29 per cent of the whole population - that is 42m people - now live below the poverty line, earning \$28 a month or less.

Seven out of ten Russians don't expect their lives to improve in 1999, despite the government's pledge to resurrect the economy.

Prime minister Yevgeny Primakov has conceded that little has improved since he assumed office in September but he has pledged that the economy will be turned around in the coming year. "We are not magicians. We cannot make the country economically prosperous in only a few months. But we must do it."

The declining health of President Boris Yeltsin has not helped with many believing he has surrendered much of the responsibility for running the country to the prime minister.

Anatomy of a meltdown

The Asian crisis had spilled over to Russia by March '98 as

exports fell and the government ran out of money. President Yeltsin responded by sacking prime minister Viktor Chernomyrdin and his cabinet and appointed Sergei Kiriyenko - a 36-year-old unknown.

The new government failed to halt the slide, unable to win the confidence of the markets. The stockmarket fell and the state-controlled rouble exchange rate came under pressure as Western investors pulled out. But the worst was yet to come.

In July, the IMF outlined a \$22bn loan package to bail out the government - but only if Russia agreed to tough austerity measures.

Soros speaks, Russia shakes

Alarm turned to crisis when the billionaire financier George Soros warned that the turmoil in Russia's financial markets had "reached a terminal phase." His prophecy became self-fulfilling as the markets crashed in August.

Drained of hard currency reserves, the government was forced to abandon the rouble's pegged trading range around 6.3 to the US dollar - effectively allowing it to devalue at the mercy of market forces.

And devalue it did, rapidly losing 70 per cent of its value against the dollar, despite the fact that trade on the currency exchange was halted several times. For a while there were just no buyers.

Street panic

On the streets the real exchange rate went well above the official rate with some paying 25 roubles or more for one US dollar and flocking to the banks to withdraw their rouble savings. Meanwhile, inflation ran rampant as buyers and sell-

ers lost confidence in the rouble.

Russia's main stock exchange hit an all-time low at around 50 points in September. Only a year before the RTS index had stood at around 570.

An early casualty was central bank chief Sergei Dubinin who stepped down because of the Communist-dominated parliament's frustration over his efforts to tackle the crisis.

Banking crisis

1999 will see an enormous shakeout of the Russian banking system, with half the country's 1,500 institutions expected to slide into bankruptcy, according to the Russian central bank.

Russia's central bank has already revoked the license of Inkombank after it effectively went into liquidation as a result of the financial crisis. Oneximbank and Tokobank have since suffered the same fate.

The pressure on banks is immense. Much of the foreign debt of banks, as well as the government and private firms, was denominated in hard currency. As the rouble fell, buying the dollars and Deutschmarks to service the debt got ever more expensive. The price of foreign currency commitments skyrocketed.

The government tried to protect those hit hardest, buying them time by announcing a unilateral 90-day moratorium on debt repayments. The freeze has now expired and those creditors want their money back and may well go to court to get it.

Meanwhile, the government also defaulted on its own debt, refusing to honour its repayment commitments on GKO treasury bonds to both foreign and domestic bond holders. —BBC Internet



A delegation of the Board of Directors of the Dhaka Chamber of Commerce & Industry (DCCI) led by its President M H Rahman (3rd-L) called on Finance Minister Shah AMS Kibria at his Secretariat office yesterday. They discussed various issues relating to trade, commerce and economic development of the country. DCCI Senior Vice-President Sajjatz Juma (2nd-L) and Vice-President Nasir Hossain (1st-L) are also seen. —DCCI photo

Most Asian stocks get lift from Wall Street rally

HONG KONG, Jan 7: Share prices across Asia got a lift Thursday from Wall Street's record close, but news of economic troubles in Brazil wiped away some of the gains in Tokyo and Singapore while pushing shares lower in Bangkok, reports AP.

Tokyo's benchmark 225-issue Nikkei Stock Average closed up 68.10 points, or 0.51 per cent, at 13,536.56, after giving up strong early gains as investors saw their sentiment dampened by bad news from Brazil, where the state of Minas Gerais declared a 90-day moratorium on debt payments to the federal government because of a lack of money.

The Nikkei had been as much as 320 points higher before lunch, following Wednesday's 2.5 per cent rise by the Dow Jones industrial average that sent it to a record high of 9,544.97 points.

The news from Brazil combined with the possibility of a drawn-out impeachment trial of US President Bill Clinton in the US Senate to drive the US dollar lower against the Japanese yen.

In late afternoon, the dollar bought 110.98 yen, down 1.54 yen from late Wednesday in Tokyo and also below its late New York level of 112.66 yen overnight.

Prices in Singapore mimicked Tokyo's trading pattern. An early morning buying frenzy tapered off as investors began to digest the news from

Brazil. Share prices ended mixed, though the Straits Times Index managed to retain a strong gain of 3.6 per cent, or 52.91 points, to close at 1,517.88.

In Bangkok, the Brazil news knocked 1.2 per cent or 4.84 points, off the benchmark SET index, which closed at 397.72 points.

Hong Kong fared better on hopes of local interest rate cuts. The blue-chip Hang Seng Index, which had gained 3.5 per cent Wednesday, surged 459.77 points, or 4.5 per cent, on Thursday, closing at 10,693.57 point. It is the highest close in seven weeks.

"They happy days are here again," said Francis Lun, research manager at Pacific Chal-

lenge Securities Ltd.

Traders said they expect interest rates to come down as early as Friday. A rate cut might help revive the local economy now mired in recession.

In Jakarta, the benchmark JSX composite index leapt 7.2 per cent to 457.940 points, as foreign investors returned to the market. It was the highest close since Aug. 4.

But analysts warned investors may start selling again ahead of the five-day holiday in the Jakarta Stock Exchange beginning Jan. 18.

In Sydney, the key All Ordinaries Index set records for both intraday and closing highs, temporarily breaching the 2,900-point barrier. It

closed with a gain of 1.5 per cent at 2,897.3 points, beating a record set April 16.

Investors poured funds into the local market, finally electing to chase equities after hoarding their cash for much of 1998, traders said.

Elsewhere: KUALA LUMPUR: Malaysian prices closed lower as investors sold back shares. The benchmark Kuala Lumpur Stock Exchange Composite Index fell 0.59 point to finish at 585.89.

MANILA: Philippine stocks closed higher, spurred by Wall Street's advance and improved investor confidence following the successful launch of the country's \$ 1 billion global bond issue. The 30-company

PSE index rose 55.16 points, or 2.7 per cent, to 2,134.91, an eight-month high.

SEOUL: South Korean prices skyrocketed, with a lift from local merger news. The Kospi index rose 4.1 per cent to 637.59 points.

TAIPEI: Taiwan shares ended sharply higher, as the government's stock market support and the record US stock market rise spurred buying, especially of semiconductor shares. The Weighted Price Index closed up 204.40 points, or 3.3 per cent, at 6,404.31.

WELLINGTON: The NZSE-40 capital index finished higher, following gains in the region. The index closed 38.89 points, or 1.8 per cent higher, at 2,170.66.