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BUSINESS

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Aktel's new package for Chittagong

Aktel has introduced a new product package — Aktel Choice — for Chittagong.

It was launched at a function in the port city on Saturday, says a press release.

Aktel reiterated its commitment to provide better services and facilities to the valued customers of Chittagong.

In addition to bringing down the total price of connection and handsets within an affordable level to all walks of people, the package will provide free caller identification, no incoming charges from mobile to mobile, no security deposits, voice mail service, call forwarding and waiting including Dhaka-Chittagong roaming facilities.

The very special feature of the package is its full connectivity to T&T local and NWD networks.

The launching programme was attended by Ihsan Ibrahim, General Manager (Technical), Ashraful H Chowdhury, General Manager (Corporate Affairs) and Abdullah Ferdous, Dy General Manager (Marketing) of TM International (BD) Ltd.

Among others, representative of dealers for Ericsson, Motorola, Siemens, Philips, and Nokia attended the ceremony.

3-month Aptech training course begins

Star Business Report

Aptech has started a three month long intensive training programme for the trainee faculties.

The programme began at its Dhanmondi centre in the city on Thursday, says a press release.

Addressing the programme, the Area Business head of Aptech Bangladesh, Ramakanta Bhattacharjee, said Bangladesh is full of talents.

To transform them into human capital and world-class professionals, he said much more investment in training is required.

Bhattacharjee said, "In keeping with our commitment, we at Aptech make it our constant endeavour to recruit best talents as faculty members."

"To achieve this," he said we have recruited 15 fresh engineering and computer science graduates, with although first class in their academic career, as trainee faculties.

In order to mould them as faculty members, he said we have designed an intensive three-month long training programme.

Speaking on the occasion, Network Support Manager of Axiom Technologies Limited, M A Hadee said, this training programme will reduce the dependence on foreign countries for faculty members for the Aptech centres.

Currently we have 11 training centers in two cities of Bangladesh and we will be opening centers in four different cities shortly, he added.

The programme was also addressed by the Technical Head of Aptech Bangladesh, Rahul Brahmachari who explained the objective and details of the training programme.

Foreign firms boost British job market

Overseas companies investing in the United Kingdom created more than 40,000 new jobs last year, reports UNB.

The investment created 44,000 new jobs and there was a spin-off on another 118,000 new jobs in associated companies. A further 74,000 jobs were safeguarded by new inward investment, says London Press Service (LPS).

Commenting on this achievement at the launch of the Invest in Britain Bureau (IBB) Annual Review of Operations 1999, Foreign Secretary Robin Cook said: "Britain remains the number one investment destination in Europe and is poised to be a powerhouse into the next century.

"Investment from overseas creates jobs, revitalises regional economies and fuels prosperity. Persuading foreign investors to come to the United Kingdom ensures we stay competitive in the global economy," he said.

The UK attracted 23 per cent of the overall total of foreign direct investment in Europe, according to a recent United Nations World Investment Report.

Trade and Industry Secretary Stephen Byers said: "The UK is developing a exciting high value, high tech character which is attracting leading edge investors and sustaining our position as the preferred choice for foreign direct investment."

The IBB, and its 12 development agency partners throughout the UK, reported a record 652 inward investment projects in 1998/99 and the UK's global investment stock was estimated to have reached some 196 billion pounds sterling.

The United States remained top investor in the UK with 353 projects, representing 40 per cent of all US investment into Europe. This is more than France, Germany and the Netherlands combined.

Decision to amend laws

Capital market to get insurance funds

By M Shamsur Rahman

The government has agreed to amend the decade-old insurance law to bring insurance funds into the ailing stock market.

The decision to amend the Insurance Act 1938 was taken at a meeting of the commerce ministry, finance ministry, Securities and Exchange Commission (SEC) and the insurance companies on Monday.

Currently, the law allows 30 per cent of insurance funds to be invested in government securities, a further 30 per cent in government or other approved securities. The balance can be invested in 'approved investments'.

The Asian Development Bank (ADB) had recommended the amendment as a condition for releasing the second tranche of the US$ 80 million capital market development project.

The ADB has recently extended the time for complying with its conditionalities by six months after the government failed to meet the loan conditions by June this year.

"The government shall have restricted mandatory investment by insurance companies in securities issued and approved by the government to 30 per cent of total funds allocated for investment, and required capital market investments by insurance companies to be subject to prudential guidelines to be issued by the Department of Insurance," according to the second tranche release conditionalities of the ADB.

As the time has been extended by six months, the government has to amend the law within the stipulated period.

Earlier, the SEC had suggested some changes in the Insurance Act in mid-October, 1997 and sent its proposal to the commerce ministry through the finance ministry. The commerce ministry kept mum on the proposal as the insurance companies opposed the changes.

Meanwhile, On June 8 this year the cabinet had approved a finance ministry proposal for amending the more than a century-old Trust Act for channeling 25 per cent of provident, pension and gratuity funds of various trusts and private companies into the capital market.

The changes were made to allow companies to invest up to 25 per cent of their funds in shares, securities or debentures.

Nepalese Finance Minister Mahesh Acharya (R) exchanges agreement documents with his Mauritian counterpart V.K.Bunwaree at the finance ministry in Kathmandu Tuesday. Nepal and Mauritius signed two separate agreements on Avoidance of Double Taxation and Promotion and Protection of Bilateral Trades. The agreements will help both countries to promote trade and economic cooperation.
—AFP photo

Kibria at BEXIM Bank launching ceremony

Govt to take stern actions against loan defaulters

Star Business Report

Finance Minister Shah AMS Kibria yesterday reiterated that the government would take stern actions against loan defaulters and said the Bangladesh Bank was rightly using its regulatory power to fight indiscipline in the banking system.

"The country has to come out of the culture of default loans. The future of the nation depends on the restoration of discipline in the financial sector," he said. "The whole nation will suffer if the financial sector is destroyed."

He was speaking at the launching ceremony of a new private bank, Bengal Export Import Bank Limited (BEXIM Bank), as the chief guest at a city hotel.

"These days are gone when one could play foul with the depositors' money."

Bangladesh Bank Governor Dr Mohammed Farashuddin attended the inaugural function as special guest. It was also addressed, among others, by BEXIM Bank Chairman Shahjahan Kabir and Managing Director Mohammad Lokiatullah.

The Finance Minister said that sponsors should not consider themselves as the sole owners of the banks as the financial institutions are run with depositors' money.

He said the newly-launched banks have the clear comparative advantages of not having any classified loans.

"This is why they can offer services at lower rates than others," he said. "Interest rates of the new banks will be more attractive."

With the start of the new banks, Kibria observed, costs of banking will be reduced and quality will be improved.

He said most of the private banks like to concentrate in urban areas and added that they should also play an important role in bringing dynamism in the rural economy. He urged the new banks to open their branches in rural areas.

BB Governor Dr M Farashuddin commenting on criticism by the association of private banks against allowing new banks said there are plenty of scopes to improve management and service of the banks and the new banks should come for more competition and improvement of quality.

There are scopes for increasing savings and investment in different areas, he said referring to agro-based industries as a prospective area.

"Savings will be increased if people have more confidence in the banking service and the new banks can play an important role in increasing deposits."

Farashuddin mentioned that the country's inward remittances in the last fiscal year amounted to US $ 1.7 billion, 11.7 per cent higher than the previous year.

If the new banks provide quicker and honest service, remittance can be increased significantly, he added.

Chairman of BEXIM Bank Shajahan Kabir said apart from supporting the country's export and import business, the bank will provide loans to large scale industries.

Managing Director Mohammad Lokiattullah said the main focus of the bank will be on export and import activities to match its name.

The first branch of BEXIM Bank was opened at Motijheel yesterday and other nine branches will be opened in Dhaka, Chittagong and Narayanganj in the current month.

The authorised capital of the bank is Tk 45 crore with a paid-up capital of Tk 22.5 crore.

Manzurul Islam made IFIC chairman

Manzurul Islam has been unanimously elected chairman of the Board of Directors of IFIC Bank Limited.

The election was held at the adjourned 258th meeting of the Board of Directors of the bank at its head office in the city yesterday, says a press release.

He is the Chairman of the Islam Group.

US launches $5m anti-tobacco campaign

WASHINGTON, Aug 3: The US government launched a $5 million advertising campaign yesterday to remind retailers that selling cigarettes to children is illegal and can lead to deadly consequences, says Reuters.

The print, radio and outdoor ads in five states and 11 media markets are part of the Food and Drug Administration's efforts to keep tobacco away from minors.

The FDA requires retailers to check photo identification for anyone younger than 27 who tries to buy cigarettes or smokeless tobacco. The legal age for tobacco purchases is 18.

Each and ends with "Selling cigarettes to children is illegal. For a reason."

One radio spot features a mock game show with three contestants in which the host picks the one who represents the one out of three smokers predicted to died from the habit.

The FDA said the ads, created by Arnold Communications of Boston, will reach more than 24 million people in Colorado, Tennessee, New Hampshire, Michigan and Nevada and in media markets including Washington, DC, San Antonio and Rochester, NY. Separately, the FDA plans 50,000 checks on retailers to make sure they are complying with the law.

"Studies show that the best way to keep retailers from selling tobacco products to minors is through a combination of compliance activities and public education campaigns that target both retailers and consumers," the FDA said.

In 1996, the FDA asserted board authority to regulate tobacco products as drugs and medial devices.

Miyazawa, Summers hold talks

US-Japan intervention in forex market likely

TOKYO, Aug 3: Japan stepped up its rhetoric on currencies today, stocking expectations it may act jointly with the United States to halt the yen's stubborn rise, but markets were waiting to see if action would follow the talk, says Reuters.

Finance Minister Kiichi Miyazawa said Tokyo and Washington agreed that large currency fluctuations were unfavourable and revealed that he had spoken during the day with his US counterpart, Lawrence Summers.

"Today, Finance Minister Miyazawa and Treasury Secretary Summers had a telephone discussion and exchanged opinions on the Japanese and US economies, including recent movements in the foreign exchange market," the Finance Ministry said in a statement.

It said both countries' deputies had been in touch in recent weeks and Miyazawa and Summers agreed to maintain close contact.

Miyazawa told parliament shortly after the conversation that Tokyo and Washington agreed that rapid currency movements were unfavourable, but later declined comment when asked by reporters whether he and Summers had specifically discussed a long-rumoured joint currency intervention. Zembei Mizoguchi, a Miyazawa deputy who was with the minister during the 20-minute call, told Reuters that intervention had not been discussed.

Miyazawa himself told Reuters as he finished the lunch time call that he had given various instructions to three deputies who sat in and who are directly in charge of interventions. He declined to elaborate.

The statement, following Miyazawa's own comments that recent currency movements were too rapid and that a joint Japan-US yen-selling intervention would not be difficult, gave the dollar its first real bounce in three weeks of selling pressure but the markets remained sceptical.

Japan has bemoaned the yen's stubborn rise in recent months, fearing it could derail a nascent recovery from the nation's worst post-war economic downturn.

Another report from London says: The dollar regained ground against the yen today after Japanese and US officials said they had discussed foreign exchange issues, raising the possibility of joint intervention.

European stocks were expected to open lower, following the early fall by Germany's DAX index, after Wall Street failed to sustain a rally on Monday.

The dollar was at around 115.35/45 early on Tuesday after falling to as low as 113.90 yesterday, its lowest in over five months.

Dealers in Tokyo were unsure the rally would last unless the United States itself confirmed that intervention was an option.

"What we are waiting desperately for any remarks from the US side, rather than Japanese official comments," said Hideyuki Tsukamoto, manager at Fuji Bank's Investment Banking Products and Trading Group.

The US Treasury has been consistently critical of attempts by nations to manipulate currencies, so analysts reason it would have to have good reasons to change now.

European stock markets will likely follow the lead of Germany's DAX index, which opened around 0.7 per cent lower after a rally on Wall Street Monday fizzled out by the close.

A staff member of Japan's electronics giant Toshiba, unveils the multi-functional drive combining CD and DVD, SD-R1002 at the company's headquarters in Tokyo Tuesday. The SD-R1002 features a newly developed pick-up head which allows it to read CD-ROM, write CD-R/RW and to read DVD-ROM/DVD-Video. Toshiba will put it on the market from next month with an estimated price of 60,000 yen (500 USD).
—AFP photo

Debt-for-equity swaps

Beijing to allow foreign ownership in state firms

BEIJING, Aug 3: China said today it would allow limited foreign ownership in moribund state-owned firms it is trying to rescue through debt-for-equity swaps, says Reuters.

"Some Chinese enterprises have been listed at home and abroad, so in principle foreign investors are allowed to participate in this way," Wang Wanbin, Vice-Chairman of the State Economic and Trade Commission, told reporters.

The commission, Beijing's agency in charge of state sector reform, has said China would convert 1.2 trillion yuan ($145 billion) in debts owed by state firms into equity by the end of the year.

Analysts say the move is a milestone in China's efforts to revive its big four state banks, whose bad debts are thought to be as high as $200 billion as a result of decades of functioning as a cashier for the state.

The first debt-for-equity swaps will be handled by asset management companies for each of the four major state-owned commercial banks.

The asset management companies would be modelled on the US Resolution Trust Corp. China has already set up one, the Cinda Asset Management Corp, to take over about 200 billion yuan in non-performing loans at China Construction Bank.

Cinda has said it would use debt-for-equity swaps as its main method of recovering bad loans. The plan may include repackaging debt as securities for sale to both domestic and foreign investors, it has said.

But foreign investors might play only a minor role if they are limited to buying stocks from listed companies. Given their large debts, hidden obligations and murky book-keeping, it is uncertain whether state firms will begin listing en masse, or whether investors would want a piece of them if they do.

Officials from the commission played down the likelihood of a flood of initial public offerings.

"We have to be very cautious in getting state-owned shares listed, because the amount of state-owned shares are much bigger than the amount of shares now circulating on the market," said Zheng Silin, another vice-chairman of the commission.

"If people are not cautious enough, there will be very large fluctuations in the stock market," he said.

Flagging state-owned enterprises and the sluggish economy are expected to be key topics of discussion at the Communist Party leadership's annual conclave at the coastal resort of Beidaihe this month.

At Tuesday's news conference, officials said state sector reforms were steaming ahead as the impact of the Asian economic crisis waned.

"There has been gratifying momentum in China's reform and development of state owned enterprises, and a remarkable improvement of these enterprises' economic performance," Zheng said.

Wholly state-owned enterprises and those in which the state has a controlling share earned profits of 24.31 billion yuan in the first half of this year.

Debt mountain threatens to disrupt Thai recovery

BANGKOK, Aug 3: A debt mountain of some $180 billion threatens to disrupt Thailand's recovery from recession just as economists are busy revising up growth projections for the crisis-hit country, says Reuters.

If the debt is not managed properly, analysts say it could delay the country's revival after a two-year slump.

Despite earnest efforts by the government to tackle the private debt problem, results so far have been mixed at best.

While corporate debt is being resolved slowly, public sector debt is piling up as a result of government efforts to spur the economy and bail out its troubled financial sector.

Economists say debt servicing obligations could restrict policy options for the Thai government over the next few years when the country needs a strong and efficient private sector to get the economy going again.

The debt overhang could prevent the government spending money to stimulate the economy, and that is why the country will need a strong private sector.

Economists say Thailand must bite the bullet and tackle the debt problem now before it is too late.

"Thais don't feel the pinch now because the government is using an expansionary fiscal policy to cushion the impact of the crisis. But it will eventually have to tighten it ... most likely from 2001," said Supavud Saicheua, head of economics and strategy at Merrill Lynch.

"By then the government might have to earmark up to 10 per cent of the budget to service debt, and will have very little money left for investment. If the private sector is strong enough by then, it would be okay," he said.

"But with half-backed restructuring that many companies are going through now, will they be strong and high-performing in the near future? That is my question.

In the past few months people don't seem care. But after the Daewoo debacle, investors are now starting to think twice on the debt problem," he said, referring to the embattled South Korean conglomerate rescued from the brink of bankruptcy last month.

Thailand's public sector foreign debt at the end of March stood at $21.4 billion, only $150 million of which was short-term. This does not include the central bank's debt of $11.29 billion.

The public sector's foreign debt is expected to swell to $40.99 billion at end-2003, when its debt is projected to rise to 7.8 per cent of exports compared to 3.97 per cent this year, according to Finance Minister Tarrin Nimmanahaeminda.

Government domestic debt at end-June was at 965.84 billion baht ($25.96 billion). The domestic debt could rise further if the government has to issue additional bonds on top of 500 billion baht already earmarked to bail out troubled financial institutions.

The private sector debt burden is hefty. Its foreign debt at end-March stood at $51.02 billion, and $20.37 billion of which is short-term.

Because of the crisis, a number of companies are not servicing their debt, sending the non-performing loans (NPLs) surging.

At the end of May, NPLs of Thailand's financial sector were at around 2.73 trillion baht ($73.39 billion) or 47.72 per cent of total lending.

The government had expected NPLs to peak since March, but they kept rising. Some restructured loans have even become NPLs again.

Anthony Norman, managing director of Sydney-based financial restructuring consultants Ferrier Hodgeson, told Reuters the NPL figure could rise further toward 50 per cent of lending in the next few months.

Norman attributed the snail-paced debt restructuring to Thai's aversion to conflict, unrealistic cashflow forecasts and a weak Thai legal system.

"When the government said the NPLs should peak at around 47 per cent of the total lending, it ignored a few basic facts. It is clear now that debt restructuring may not have been well-founded (adequate)," he said.

"A number of restructured loans are having a relapse and becoming NPL's again, particularly because the cash forecast which is always a foundation for financial restructuring has proven to be too optimistic," he said.

The legal system in Thailand was still weak even though the government had passed legislations to tighten the bankruptcy and foreclosure procedures, he said.

"There is not much leverage that creditors have upon borrowers still. Companies which fail to service debt for a long time can still prove that they are solvent as long as the value of their assets exceed liabilities," he said.

The Thai Bankers Association has said it believes about one third of non-performing loans (NPLs) might not be recoverable.

Arporn Chewakrengkai, an economic adviser to Prime Minister Chuan Leekpai said concerns about the debt overhang, especially in the public sector, had indeed risen.

However, she said she was confident it would be manageable because most of the debts were long-term.

"We have seen worse debt problems during the 1984-1987 crisis. Moreover, the low interest rate, good growth prospect for the region and all the measures the government has put in place should see us through," she said.