The Daily Star
BUSINESS
DHAKA, WEDNESDAY, DECEMBER 22, 1999

PM's approval to be sought soon

Privatisation Board for total divestment of 8 SOEs

By M Shamsur Rahman

The Privatisation Board will sell all the government's shares in eight state-owned enterprises, meeting the Asian Development Bank's conditions for a capital market development loan.

The enterprises are : Eastern Cables, Atlas Bangladesh, Metalex Corporation, Usmania Glass Sheet Factory, Renwick Jagganeshwar Bangladesh Ltd, Zeal Bangla Sugar Mills Ltd, Shampur Sugar Mills and National Tubes.

The Board will send the list enterprises to Prime Minister Sheikh Hasina for her approval. The sale will be conducted through the Investment Corporation of Bangladesh.

The board made the decision at a meeting yesterday.

It took the board two-years to meet the Asian Development Bank's loan conditions.

The bank told the government it had to sell its shares in at least seven enterprises. The board selected the enterprises to be off-loaded in 1999. Some of the shares in the eight companies had been sold earlier, although the government maintained a majority stake in them.

Initially, the government decided to keep 25 per cent stake in the enterprises and sell the rest through the Investment Corporation of Bangladesh.

However, in order for the government to maintain control, the enterprises would have to change their constitutions, a move requiring 75 per cent support from the enterprises' shareholders. Some expressed concerns that a large chunk of the shares were already in the hands of the private sector, and they might not support the government's plan to manage the enterprises.

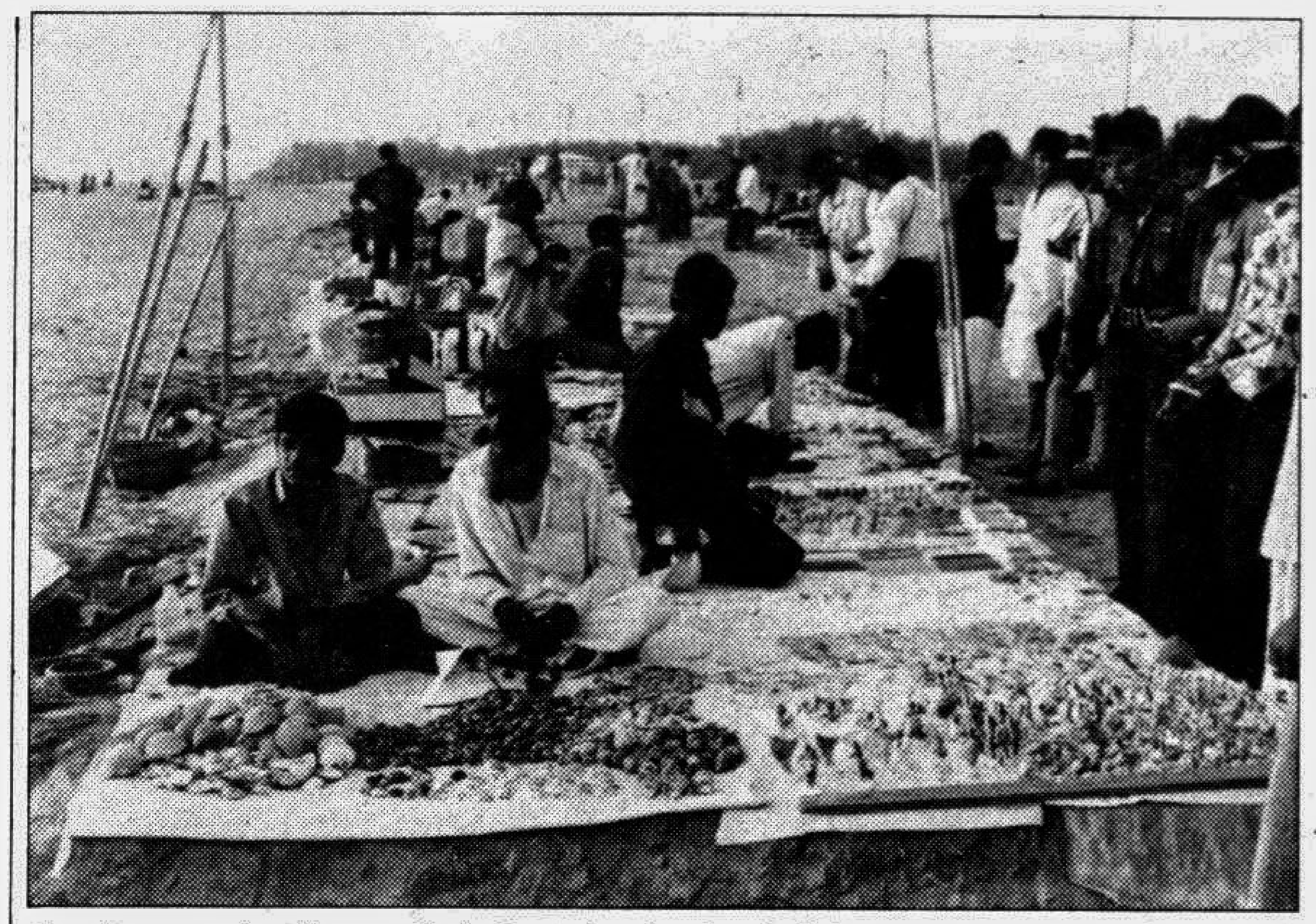
If private investors agreed to change the constitutions, the government might loose management control at the next annual general meetings anyway, since the majority of shares are owned by private investors..

The enterprises asked the privatisation board to send documents to the Law Ministry clarifying how the government would retain control with only 25 per cent of the shares. However, the board did not have the documents and a could not seek a legal opinion. The share sale was shelved.

Against this backdrop, the board considered a plan to sell all the government's shares in these seven enterprises and asked for Industry Ministry's opinion. Meanwhile, the Finance Ministry reminded the board to speed up the process in order to meet the Asian Development Bank's conditions. As a result, the board decided to offload all of the government's shares through ICB at its 48th board meeting.

The board's decision was endorsed in another meeting chaired by Finance Minister SAMS Kibria.

Name of Company	Corporation	Government share
Eastern Cables Ltd	Bangladesh Steel and Engineering Corporation	51 per cent
Atlas Bangladesh Ltd	Bangladesh Steel and Engineering Corporation	51 per cent
Metalex Corporation Ltd	Bangladesh Steel and Engineering Corporation	51 per cent
Usmania Glass Sheet and Factory	Bangladesh Chemical Corporation	61.72 per cent
Renwick Jaggenswar Bangladesh Ltd	Bangladesh Sugar and Food Industries Corporation	60 per cent
Zeal Bangla Sugar Mills Ltd	Bangladesh Sugar and Food Industries Corporation	66 per cent
Shampur Sugar Mills Ltd	Bangladesh Sugar and Food Industries Corporation	96.67 per cent



For the souvenir sellers at Cox's Bazar beach, it's a high business time now as the tourists pour into the area during the winter season. A vendor shows his conch and shell-made booty on the beach. – Star photo by AKM Mohsin

Aid to developing countries rising: UK

LONDON, Dec 21: International Development Secretary Clare Short said today Britain was fulfilling its promise to increase aid to the developing world, says a Reuters.

Department for International Development figures showed a 14 per cent rise in total expenditure for the 1998-99 year to 2.3 billion pounds ($3.70 billion).

"This government pledged to reverse the decline in development assistance over the previous 18 years, and the figures show that we are fulfilling that commitment," Short said in a statement.

The people who will benefit are the 1.3 billion across the world who exist on the margins of life. Our investment, as part of the combined international effort, will help them to work their way out of poverty."

Britain's top five aid recipients were India, Bangladesh, Ghana, Uganda and Tanzania.

Total emergency aid was 194 million pounds, up five per cent, with Sudan getting the biggest slice — 24 million — followed by Bangladesh with 16 million.

Around 182 million pounds was channelled through non-governmental organisations, with 24 million in emergency aid.

New life science firm Aventis launched

Aventis, a new world leader in life sciences, has been launched.

This follows a merger between HOECHST AG and RHONE-POULENC SA, said a RHONE-POULENC press release, issued from Paris and Frankfurt recently.

The formation of AVENTIS was earlier approved by the shareholders general assembly of both HOECHST and RHONE-POULENC. After the successful completion of the share exchange offer to the HOECHST shareholders, RHONE-POUNLENC has changed its name into AVENTIS SA which headquarters will be located in Strasbourg, France. The new AVENTIS SA shares will begin trading on the Stock Exchange market in Paris, Frankfurt and New York.

The combined global pharmaceutical businesses of HOECHST and RHONE-POULENC will be run by AVENTIS PHARMA AG, headquartered in Frankfurt, Germany. The agricultural activities will be combined into AVENTIS CROP SCIENCES which will be based in Lyon, France. Together the two companies will have the largest research and development budgets in the Life Sciences industry.

AVENTIS PHARMA, which ranks in the top tier of pharmaceutical companies worldwide with a turnover of Euro 13.1 billions in the Euro 280 billions industry, will be a top competitor in each of its main areas: prescription drugs, vaccines from AVENTIS a pasteur and therapeutic proteins from AVENTIS BEHRING.

Products which are strategically important for AVENTIS PHARMA include, Allegra® (for allergic rhinitis), Clexane®/Lovenox®(lowmoecular weight heparin), Taxotere® (anti-cancer), Amaryl® (for Typeli diabetes), Arava® (for rheumtoid arthritis.).

These and other strategic products offer innovative treatment to large patient populations. AVENTIS PASTEUR has the broadest range of vaccines in the world. AVENTIS BEHRING is currently ranked number two in the Euro 5.3 billions blood plasma products industry.

GM, Honda reach deal on supplying engines

DETROIT, Michigan, Dec 21: General Motors and Honda Motor announced a deal yesterday that will allow the two companies to cooperate in supplying engines and transmissions for each other's vehicles, reports AFP.

Under the arrangement, Honda will supply GM with its low-emission engines and automatic transmissions, while the GM subsidiary Isuzu will sell diesel engines to Honda — mostly for vehicles sold in Europe.

The companies are still hammering out details of the plan, a joint statement said.

The deal also opens the way for cooperation in other areas of technology and business, chiefly through recycling businesses in Europe and parts purchasing around the world.

Neither company will have an equity stake in the other, and each will continue independent research, the statement said.

"The discussions are a first step in exploring areas of mutual interest that will benefit our customers in the future," said Hiroyuki Yoshino, Honda's president and chief executive officer."

"Honda is firmly committed to an independent path. This relationship will strengthen our ability to maintain this course."

Complaints lodged with Motijheel thana

SEC finds JH directors, 3 firms involved in share forgery

By M Shamsur Rahman

Regulators have formally accused five directors of a listed company, an auditor, an issue manager and a stock broker with share price manipulation, forgery and fraud.

The Securities and Exchange Commission (SEC) lodged a complaint with Motijheel thana last week against five directors of JH Chemicals - Delwar Jahan Nazma, Mehbubur Rahman, Raisul Alam, Subrata Datta and Jillur Rahman - for pumping fake shares into the stock market.

It's first time in the capital market's history regulators have gone after so many different market players in connection with one case.

The SEC lodged the complaints based on its investigation, which revealed the company's directors injected forged allotment letters into the stock market and siphoned huge amount of money by deceiving the general investors.

The report stated the offences were carried out in collusion with issue manager Satcom Securities and Management Ltd, company auditor MA Siddique Wali and Co and Dhaka Stock Exchange stock dealer Sinha and Company.

The report also stated that some of JH Chemicals' directors traded the company's forged shares and allotment letters "in order to gain illegally and with ill motives" between July 1998 and April 1999.

The company issued 3.30 lakh shares in June 1998. The company offered 1.65 lakh shares to the public, while directors purchased the remainder.

There is a three-year lock-in on the directors' shares which prevents them from selling them before June 2001.

In April, DSE surveillance officials unearthed 32,200 more shares than the initial public offering of 1,65,000 shares. They found that on March 24 and 25, 1,97,200 shares were deposited with the clearing houses of the Dhaka and Chittagong exchanges.

The surveillance officials informed its policy making council about excess shares. The council reviewed the situation and suspended trading of the company's shares until the matter was resolved.

The DSE withdrew the suspension after the company declared some of its allotment letters were false and referred the matter to the SEC in June this year.

After a five-month investigation, the SEC submitted a report in mid-November that stated "of the 1.65 lakh shares offered to the general public, only 19650 were subscribed by the investors while the rest 1,45,350 shares were shown as subscribed by the company directors in collusion with the company auditor MA Malek and Siddique and its issue manager Satcom Securities and Management Ltd".

"Against this fictitious subscription false allotment letters were issued," the report said. "The directors of the company then sold these allotment letters to different people and misappropriated the money in connivance with the issue manager and others without depositing the money in the company accounts."

"Although the money was not deposited in the accounts of the company, the auditor showed 1,45,350 shares were subscribed and prepared the accounts accordingly," the report said.

The report also identified a third person, Shoheb Ahmed Masud, as responsible for injecting the fake shares.

France keen to boost trade with Bangladesh

New French Ambassador in Dhaka Alain Briottet yesterday expressed his country's strong desire to boost trade and investment in Bangladesh, reports UNB.

"Our political relation is excellent ... My mission is to push French investment in Bangladesh," he said in introductory remarks at an iftar party he hosted at his residence.

Political leaders, editors and senior journalists attended the iftar party.

Recalling the profound relations between France and Bangladesh since 1971, the Ambassador said French President Francois Mitterand's visit in 1990 opened a new chapter of cooperation between the two countries.

He said Prime Minister Sheikh Hasina's visit to Paris in September and her talks with President Jacques Chirac added new dimension to bilateral economic relations.

France is the second largest European trade partner of Bangladesh after Germany. The balance of trade is in favour of Dhaka.

In 1999, France exported goods worth 150 million US dollars to Bangladesh while its imports totalled 400 million dollars.

A French private company, Lafarge, has planned to invest 237 US million dollars for setting up a joint venture cement factory in Sylhet region. It is expected to go into production in 2001.

Besides, another 16 million dollars have been invested for an LPG gas bottling project.

Nasdaq hits record high

NEW YORK, Dec 21: The technology-heavy Nasdaq composite index hit its 55th record of the year yesterday, closing up 30.81 points (0.82 per cent) at 3,783.87, while other measures finished lower ahead of the Fed's final policy meeting of the year, says AFP.

The Dow Jones Industrial Average was down 113.16 points (1.01 per cent) to 11,144.27, and Standard and Poor's 500 was down 2.96 points (0.21 per cent) to 1,418.09.

On the bond market, the average yield on Benchmark 30-year Treasury bonds climbed to 6.428 per cent — the highest level in two years — against 6.395 per cent Friday. Yield moves inversely to price.

The Nasdaq continued to benefit from investors' interest in high-tech shares.

But the Dow and the S and P 500 took a hit from rising bond yields and traders repositioning after Friday's rush to use 1999 buying options before the end of the year.

Niloy Cement AGM held

The 4th annual general meeting of Niloy Cement Industries Limited, a public limited company, was held at its factory premises in Jessore on Friday with the assurance of high percentage of dividend at the end of the current fiscal year ending in June 2000, says a press release.

Chairman and Managing Director of the company Abdul Matlub Ahmad informed the shareholders present at the annual meeting that the factory was running at full capacity producing 210,000 bags of cement.

The shareholders turned down the offer of the management of converting the profit of the last five months into an interim dividend and offered to wait till the end of the fiscal year for a total dividend. It would cross the dividend promised in the prospectus.

Company Executive Director Khandker Kabir Khandker informed the shareholders that in last five months, the two mills were running at full capacity and full sales capacity was also evidenced.

Finance Director Md Anwar Hussain explained the financial involvements of the company since the last two years. Company Secretary Md Siddiqur Rahman conducted the proceedings of the annual general meeting at which the company auditors belonging to Pinaki and Company were also present.

DCCI president M H Rahman and Thomas J. Chen, Executive Director, SA Business Consulting Services, China, signed an agreement for promotion of trade on behalf of the respective chambers. Among others, DCCI senior vice-president Sazzatuz Zumma was also present in the signing ceremony. — DCCI photo

IMF okays $2.7b loan for Colombia

WASHINGTON, Dec 21: The International Monetary Fund yesterday approved a $2.7 billion loan for Colombia in a three-year programme designed to restore growth, control inflation, and reduce trade and budget deficits, says Reuters.

Approval by the IMF board unlocked the first instalment of cash for the South American nation as it strives to climb out of a steep recession and end three decades of guerrilla fighting.

Further disbursements of the Extended Fund Facility credit will be subject to fulfilment of the economic programme negotiated in September.

The main target is to reduce the fiscal deficit to about 3.6 per cent of gross domestic product by the end of 2000 from the current level of 6.3 per cent.

WB still on red alert over Asia

TOKYO, Dec 21: Asia's growth rates over the next decade will depend more than anything on how governments privatise the huge volume of assets acquired as a result of the region's financial crisis, a senior World Bank official said today, reports Reuters.

Jean-Michel Severino, vice-president for East Asia and the Pacific, said the bank was cautious about the region, whose economic success was not assured despite its current rapid recovery.

"We are staying on red alert," Severino told a seminar on the lessons to be learned from the currency chaos two years ago that plunged East Asia into a deep recession.

He said the region stood at a crossroads, with politicians in a number of countries unsure what model of economic management to adopt now that the immediate crisis was over.

Privatisation would be a litmus test, Severino said. In most countries, the state owns, directly or indirectly, more than half the economy as a consequence of bank bail-outs. In the case of Indonesia, the figure is more than 70 per cent, he said.

Whether the inevitable privatisation process results in more open, transparent and equitable societies will be critical for Asia's economic competitiveness, Severino argued.

"We think most Asian economies haven't made their minds up which way they want to go," he said.

This was a legitimate political debate but, until it was settled, policy contradictions would persist that would hamper the region's economies.

"They will remain very vulnerable," Severino said. He predicted heightened market volatility and the risk of fresh financial shocks, especially if the export demand that is currently boosting growth were to fall sharply.

The need for deep-seated structural reform and limited room for manoeuvre on fiscal policy would also make it difficult to sustain strong growth, he said.

Severino stressed that the World Bank was not seeking to impose a specific free-market model on Asia. In particular, holding up free-wheeling US capitalism as an ideal would be a huge mistake and would fuel resentment, he said.

But that did not mean the Bank should accept any set of "lousy policies". Vietnam, for example, was following a development model that was leading to failure, Severino said.

What was important was policy consistency. A country that decides it wants to borrow from the international capital markets must realise that transparency is vital for winning the confidence of lenders and investors.

"If you don't, you'll hit the wall at some point."

Pakistan needs consistent energy policy to woo investment: Experts

KARACHI, Dec 21: Pakistan's new military government needs to throw off an inherited record of midstream policy changes and will have to quicken sectoral reform to draw investors to its oil and gas sector, analysts said on Tuesday, reports Reuters.

"We agree that the oil and gas sector is the priority sector for attracting foreign direct investment," Shuja Alvi, research head at Global Securities Ltd.

"What is needed now is to swiftly address the concerns which are inhibiting rapid growth, especially issues like the pricing formula.

General Pervez Musharraf, the military ruler, said last week that development of the oil and gas sector was a priority for his army-led administration as away to trim an annual energy import bill of $ 1.5 billion.

But analysts said investors would be looking for quick action on removal of snags such as a pricing formula before committing more funds to tap new energy sources.

Industry sources said natural gas could become a key driver for the plan but the government would have to move swiftly to resolve a pricing dispute over newly-discovered reserves estimated around nine trillion cubic feet.

Arif Kemal, chairman of the Pakistan Petroleum Exploration and Production Companies Association, told Reuters last week that any plan to switch to gas from oil could only be implemented if the government resolved the pricing row.

"If the new gas comes on line the government can earn through rights and royalties, and substitute oil with gas. These benefits are definitely there," he said.

Gas meets 37 per cent of Pakistan's energy needs, oil 44 per cent, hydro/nuclear 13 per cent and coal five per cent.

A new turn in the dispute came when the government offered a sliding gas price regime based on oil price bands, against the original 1994 policy which linked gas prices to prevailing international oil prices.

The row is also hurting fresh investment in exploration as industry analysts said Pakistan still has 100 trillion cubic feet of gas and 26 billion barrels of untapped oil and gas.

Top industry officials last week met officials of the Ministry of Petroleum and Natural Resources on the dispute and both sides vowed to continue their discussions.

Musharraf also promised to deregulate the petroleum sector and set up regulatory bodies, a longstanding demand of international donors.

Pakistan, except for lubricants, has a regulated pricing mechanism for the petroleum business where margins for oil companies and dealers are set by the government. Margins for oil companies stand slightly over two per cent on average and are one of the lowest in the world.

"The private sector has already paid its dues by increasing investment when margins were raised in 1994. It will only be fair that they are raised again," said Erum Ibrahim, research head at Jardine Fleming Pakistan.

Industry analysts said foreign oil companies were looking at four per cent margins which the 1994 petroleum policy had envisaged in phases covering four years.

Pakistan earns $ 98m from tourism in '98

ISLAMABAD, Dec 21: Pakistan earned 98 million dollars from tourism last year with a rise in the number of visitors despite growing political tension and nuclear tests, officials said, reports AFP.

More than 400,000 tourists visited last year, up 14.3 per cent from the previous year, the official Associated Press of Pakistan said late Monday.

Tourism officials hope for another increase in visits this year.

Saudi 2000 budget to hike spending, cut deficit

RIYADH, Dec 21: Saudi Arabia said yesterday that it would increase spending 12 per cent in its 2000 budget, but still expected to slash its fiscal deficit thanks to sharply higher oil revenues, the Saudi Press Agency (SPA) reported, says Reuters.

In a statement issued by the cabinet, the world's largest oil producer and exporter forecast a 30 per cent increase in revenues in 2000 to 157 billion riyals ($41.9 billion) against spending of 185 billion riyals, leading to a sharply lower deficit of 28 billion riyals.

The oil-rich kingdom forecast a 44 billion riyal deficit in its 1999 budget at a time when oil prices where at 25-year lows in real times.

In a statement accompanying the budget, the Finance Ministry said the Kingdom's actual deficit in 1999 was now expected to be 34 billion riyals, a 10 billion riyal improvement on the forecast.

The Finance Ministry also said higher oil prices had enabled the Kingdom to slash its current account deficit by more than 70 per cent to 14.6 billion riyals in 1999.

"The state's financial and monetary policy continued to preserve the stability of prices and the riyal exchange rate, which are considered the foundation for balanced economic growth," the ministry said.

SPA said the budget was approved during Monday night's weekly cabinet meeting, headed by King Fahd.

The figures were in line with economists' predictions of a sharply lower deficit in 2000 due to the more than doubling of world oil prices since late 1998. The government relies on crude exports for about three-quarters of its revenues.

Economists had expected spending would rise in the 2000 budget, but said it was likely to remain prudent.

The cabinet statement said the budget sought to, "provide the necessary means for growth in the economy and strengthen its abilities to continue steps toward financial balance and rationalised spending."

In line with usual policy, the statement did not say what oil price was used to calculate the budget. Economists earlier said the Finance Ministry was likely to be cautious in its price estimate.

A report published by Saudi British Bank ahead of the budget announcement said the Kingdom would base its projections on a conservative oil price, possibly at around $14 a barrel. Benchmark Brent crude is currently trading at well over $26.

In late 1998, with oil prices languishing below $10 a barrel, the Kingdom issued an austerity budget slashing spending to 165 billion riyals, with revenues put at 121 billion riyals.

Oil prices rebounded after producers both inside and outside the Organisation of the Petroleum Exporting Countries (OPEC) agreed in March to cut production to boost prices. The agreement runs until the end of March 2000.