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The Daily Star BUSINESS

DHAKA, MONDAY MAY 29, 2000

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Jalil back home

Commerce Minister Mohammad Abdul Jalil returned home yesterday ending his week-long visit to Brussels and Dubai where he discussed ways and means to raise flow of FDI into Bangladesh and also increase the country's exports, reports BSS.

In Brussels, the minister signed "EU-Bangladesh Cooperation Agreement" at EU the headquarters. EC Commissioner Christopher Paten signed the agreement on behalf of EU, an official handout said.

At a meeting with EC Trade Commissioner Pascal Lamy, the commerce minister discussed possible ways to increase bilateral trade and investment between Bangladesh and EU.

During another meeting with EC's Development and Human Assistance Commissioner Paul Naisson, he requested the EC to build an alternative institutional system in place of the just-closed International Jute Organisation for the development of the country's jute sector, a leading component of Bangladesh's economy.

On his way back home, the Minister addressed "Conference-2000" at Dubai organised by the UAE unit of Bangabandhu Parishad. He also held talks with UAE businessmen on investment in different sectors, including tyres and tubes, in Bangladesh. Jalil addressed a rally of expatriate Bangladeshis there.

Earlier on his way to Brussels, Jalil had a stop-over in London and addressed a rally organised by the UK unit of Awami League.

BB T-bill auction held

The 90th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held in the city yesterday, says UNB.

Tk 1651.50 crore, Tk 3.50 crore, Tk 16.00 crore, Tk 57.50 crore and Tk 23.00 crore were offered respectively for the 28-day, 91-day, 182-day, 364-day and 2-year bills.

Of these, Tk 1651.50 crore, Tk 3.00 crore, Tk 19.00 crore and Tk 19.00 crore in total of Tk 1692.50 crore of the 28-day, 91-day, 364-day and 2-year bills were accepted respectively.

The range of the implicit yields of the bills was 5.98-6.10 per cent, 6.30-6.40 per cent, 7.70-7.73 per cent and 8.36-8.51 per cent per annum respectively.

The bids offered for the 182-day bill were not accepted and no bid was offered for the 5-year bill.

Due to maturity of the bills, the total amount of Tk 1708.50 crore will retire in the current week and resulting this the net amount of the issuing bills will stand at Tk 16.00 (1692.50-1708.50) crores in this week.

Management workshop on leadership held

A day-long Management Workshop on Leadership was held on Saturday at Rapport Seminar Hall, says a press release.

Organised by Rapport Bangladesh Limited, the workshop was conducted by Sharu S Rangnekar, an eminent management expert from India. It was participated by senior executives from the World Food Programme, Homebound Packers and Shippers Ltd., Mondial Orient Limited, Standard Chartered Bank and Palli Bidyut Society.

M Mosharrar Hossain, Managing Director of Rapport Bangladesh Limited, distributed certificates among the participants at the end of the workshop.

China's WTO entry to prove boon for Intel

HONG KONG, May 28: China's eventual entry into the World Trade Organisation will strengthen its Internet business, adding to the mainland's high-tech growth that already has citizens using computers more frequently, the boss of Intel Corp. said Wednesday, reports AP.

China's WTO entry "really means that US companies like Intel can operate in China without any singular terror of import barrier," said Craig Barrett, president and chief executive of the leading computer chipmaker.

Barrett said Intel hopes to capitalize on Asia's growth potential in part through a new technology partnership with Hong Kong's dominant phone company, Cable and Wireless HKT.

The two companies said they had signed a memorandum of understanding on providing web applications and database servers to Cable and Wireless HKT's data centres for Hong Kong's small-and medium-sized enterprises.

FBCCI urges ROK to import more leather goods, garments

Star Business Report

President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Abdul Awal Mintoo, has urged South Korea to import garments and leather goods in larger quantities from Bangladesh.

He made the request at a meeting with the ROK Ambassador in Bangladesh, Young Jo Jung, held at Federation office in the city yesterday, says a press release.

About the existing economic

relationship between the two countries, Mintoo said bilateral trade is now in favour of Korea.

He appreciated ROK's valuable contribution to the development of Bangladesh economy. About 10 per cent of the foreign workers in ROK — numbering about 300,000 — are from Bangladesh.

The FBCCI chief commended steps being taken by the Korean government in setting up a forum of the civil society to look into the welfare of the foreign

workers with financial support from the government.

He termed Korean investment in the manufacturing sector of Bangladesh as very satisfactory. Mintoo urged the Korean investors to invest also outside the Export Processing Zones (EPZ).

The Korean ambassador said that the Bangladeshi workers were very industrious and respectful to law. He assured of necessary cooperation on his part to strengthen bilateral ties.

GM Enterprise to market LED products

LED (Bangladesh) Co Ltd, a Swiss software developing company promoted by Board of Investment, signed a distributorship contract with GM Enterprise recently, says a press release.

According to Daniel Lehmann, Managing Director of LED, and Engr. Kazi Golam Hossain, Managing Director of GM Enterprise, this mutual agreement will enhance both the companies' market presence for LED Enterprise Resource Planning (ERP) software.

Implementation of the contract will start from now on and it will allow GM Enterprise to sell LED's products — LED Enterprise Resource Planning (ERP) software — in the local market.

GM Enterprise, situated at 10/10 Eastern Plaza, Sonargon Road in the city, has extensive and long experience in marketing of products.



Sharu S Rangnekar, eminent management expert from India (sitting in the middle), and M Mosharrar Hossain, Managing Director of Rapport Bangladesh Limited (sitting 3rd from left), are seen with the participants of the Management Workshop on Leadership held recently at Rapport seminar hall organised by Rapport Bangladesh Limited.

— Rapport photo

Indian rupee set to cool this week after recent falls

BOMBAY, May 28: Stability is likely to return to the Indian rupee this week after recent falls, with the central bank's tested recipe of allowing a controlled depreciation of the currency expected to work again, analysts said, reports Reuters.

After a steady 12 months during which it slipped just two per cent against the dollar, the rupee has fallen 2.5 per cent in the past three weeks, catching the market by surprise and adding a speculative edge to dealings.

The Reserve Bank of India (RBI) acted on Thursday, warning against speculation and announcing measures to prop up the currency, but still leaving a lingering signal that it had no targeted exchange rate.

Most bankers believed the rupee's move was partly engineered, nothing new for a market that has witnessed such periodic and sudden depreciation since 1996 and, on hindsight, it was warranted.

The US dollar has strengthened against global currencies, the rupee was losing export competitiveness, a rise in inflation had made it overvalued and locally, flows were getting skewed as corporate took the rupee's stability for granted.

The rupee has been trading in a narrow range against the dollar, and will continue to be in a narrow but lower range, Surjit Bhalla, director of Oxfus Fund management said.

Because of the some what higher inflation, the fair value of the dollar against the rupee had risen to 43-44.50 compared with earlier levels of 42.50-44.0. That has been adjusted," he said.

"With the strength of the dollar in particular and the weakness of regional currencies, the adjustment of the rupees is not surprising," said Dominic Price, head of JP Morgan India.

Inflation based on wholesale prices hit an 18-week high of 6.38 per cent in the week ended May 13, a three-fold rise since February, but analysts are not worried since core inflation is at comfortable levels.

But it meant the rupee, adjusted for inflation, was too firm.

Besides, while the yen has fallen 4.8 per cent since January, the Indonesian rupiah 17.73 per cent, the Philippine peso 5.88 per cent and the Thai baht 4.0 per cent, the rupee has been steady.

The mammoth government

funding programme was one reason for the RBI to chose the proven method of triggering a rapid correction, analysts said.

With 1.17 trillion rupees (\$26.36 billion) to be raised in 2000/01 (April-March), lingering bearishness in the currency and bond markets was unwelcome.

"If there is recognised stability in the rupee after this, the RBI can get on with its task of funding the huge government borrowing without continuous distraction. Price said.

The rupee ended Friday at a record low of 44.37/38, but analysts predict it will stay strong the year, supported by a comfortable current account and foreign capital inflows.

The recent lull in foreign capital inflows is seen as temporary and flow of funds from both portfolio investors and international offerings should pick up, analysts said.

Foreign institutional investors turned net sellers in equities in May, but their investments totalled \$1.6 billion in the first four months of 2000, higher than the amount they invested in all of 1999.

Microsoft readies for another challenge to dismantling

Remedy verdict to decide fate nears

WASHINGTON, May 28: Microsoft is preparing to mount one more legal challenge to a government call for its dismantling, setting the stage for a ruling on the company's fate — possibly later this week — from a federal judge, says AFP.

The company is expected to respond by midweek to a Justice Department memorandum filed with the court on Friday. That memorandum reiterated a recommendation that Microsoft be split into two companies, one to develop the Windows personal computer operating system, and the other to promote software applications.

Microsoft has already denounced the plan as extreme and has instead offered to accept limitations on its business practices such as to remedy the antitrust violations identified by US District Court Judge Thomas Penfield Jackson.

But at a hearing last week, the judge appeared sympathetic

to breaking up Microsoft, albeit into three rather than two parts. The third entity would specialise in Internet browsers.

David Boies, the government's lead attorney in the landmark case, replied that while such an option had been seriously considered, it had been rejected as being too complicated to implement.

Jackson also puzzled legal analysts with a decision to end debate on the proposed remedies, rejecting Microsoft's request for six months to prepare its case against dismantling.

The judge's move "fore shadows a decision in the next 10 days, probably by the end of (this) week," according to William Kovacic, a professor at Georgetown University law school.

"I'm mystified by his refusal to grant at least a modest amount of time for debate," he added.

The government is asking for restrictions on what might

be the world's most profitable commercial enterprise. It might seem wise spending a few weeks getting it right."

Microsoft has vowed to appeal all aspects of the case, including the court's decision to curtail debate on remedies and its finding that the company, in an attempt to snuff out competition, had abused the monopoly in the operating systems sector which it enjoys thanks to Windows.

Jackson also determined that Microsoft had sought to monopolize the market for Internet browsers.

Once Microsoft's appeal is lodged, the government can ask for an immediate review by the US Supreme Court, bypassing the federal appellate court.

Legal analysts expect the Justice Department to exercise such an option, notably because the appeals court here has already ruled in favour of Microsoft in an earlier dispute with the government.

But they add that the Supreme Court could refuse to hear the case and decide to send it back to the appellate body.

"Ultimately I don't believe a breakup is going to happen," said Nicholas Economides, a professor at New York University's Stern School of Business.

"Along the way a new president will get elected, there'll be new negotiations and probably the case will be settled on terms more reasonable than the present proposals.

"If there's Republican president, it will be quite different. But even if there's a Democratic president there could be different terms," he said, noting that any new president will want to alter the make-up of the Justice Department.

"It doesn't mean people should ignore the judicial process, but because the government is the plaintiff, it can make a big difference."

5th AGM of BACI held

The 5th Annual General Meeting (AGM) of Bangladesh Association of Construction Industry (BACI) was held at a restaurant at Banani on Saturday, says a press release.

In the meeting, the role of construction industry for development of Bangladesh was elaborately discussed.

A large number of members including Association President Engr. Amirul Islam of ABC Ltd., Vice-President Engr. Aminul Islam of PBL, Engr. Zahir Hossain of MAH Ltd and Engr. Abdul Monem of Abdul Monem Ltd., participated in the discussion.

A twelve-member new executive committee of the Association was also announced in the meeting.

Scancem holds seminar with RHD engns

Scancem Bangladesh Ltd held a seminar on "Impact of Cement quality on Construction and Contributions of Scancement" with the Roads & Highways Department (RHD) engineers at the Engineers Institute in the city recently, says a press release.

The seminar focused on the essential pre-requisites of quality cement and its application to the construction works, cement testing methods and activities of Scancem Bangladesh Ltd. More than 300 RHD engineers from different parts of the country participated in the seminar.

The Committee Chairman M A Jaigirdar, and Member Secretary Dilip Kumar of Sarak-O-Janapath Prakashshali Samity, spoke on the occasion. Prof Shamim Z Bosunia of BUET and Robert Aves, Director of Beca Worley International, were present as the guest speakers.

Speakers from Scancement were Martin Schjolberg, General Manager, and Christer Eriksson, Marketing and Sales Manager.

Scancem Bangladesh Ltd, a member of the globally renowned Heidelberg Group, which Europe's largest cement and building material company and the third largest in the world has been marketing Scancement in Dhaka, Chittagong, northern region and some other parts of Bangladesh for the last one and half years and getting tremendous response from the customers, the release said.

New chief to visit Asia May 31 IMF sees no chance of crisis in ROK

SEOUL, May 28: The International Monetary Fund (IMF) gave South Korea's economy a clean bill of health despite its dwindling trade surplus and falling share prices, reports AFP.

"It is surprising that there is concern about another economic crisis," David Coe, IMF senior resident representative in Seoul, told journalists.

Coe expressed confidence in South Korea's economic future, allaying widespread concerns over the country's plunging current account surplus.

"In our view, the declining trade and current account surpluses are not a cause for concern," he said.

"Indeed, small current account deficits should not be seen as anything unusual for Korea or the emerging market economies of Asia."

He also stressed that the falling share prices on South Korea's stock market were merely part of the ongoing "global phenomena."

"(South) Korea is not alone in seeing substantial declines in stock markets, particularly in technology stocks," he added.

Coe said South Korea's economy, which slipped into crisis in late 1997 and had to receive a bailout package from the IMF, now shows "clearly a 'real' recovery, not just a technical rebound from the recession."

"Korea is now much more resilient to contagion from crises originating abroad," he said.

Statistics showed that South Korea's gross domestic product grew 12.8 per cent year-on-year in the first quarter of this year with the jobless rate falling to 4.1 per cent in April.

The low rates have kept borrowing costs down, easing companies' debt burden and spurring growth. Gross domestic product expanded by 11.7 per cent in the first three months of 2000, the fifth consecutive quarter of growth.

Most banks are now offering 6.80 per cent as their best customers — and 4.0 per cent on one-year fixed deposits.

But Zeti said she expects the gap between lending and deposit rates to narrow. That confounded the markets.

"It's a confusing statement. It looks more like an expectation but not a policy intention yet," said Eddie Lee, regional economist at Vickers Ballas. "The inflation rate is still very low."

A rise in interest rates could throw a spanner in the recovery, which analysts say remains tenuous.

Malaysia's annual inflation rate, measured by the consumer price index, has been rock

Japan panel for consumption tax hike

TOKYO, May 28: The Japanese government's Tax Commission will call for raising the country's five per cent consumption tax should other efforts fail to improve the state's debt-crunch, a Japanese financial daily reported today, says Reuters.

The commission will make the call for the tax hike in a report due out in July.

The report is expected to stipulate that the tax rate should only be raised after a thorough review of government spending, including spending cuts and sales of state assets, the Nihon Keizai Shimbun reported.

The commission did not plan to recommend the timing or amount of the tax increase but would say those factors depended on future economic conditions, it said.

In terms of policy, the government tax commission usually defers to the measures advanced by the ruling Liberal Democratic Party's tax commission.

Central bank mulls raises

Malaysia keeps markets guessing over rates

KUALA LUMPUR, May 28: Malaysia's new central bank chief has raised the possibility of interest rate increases, stirring questions about the nation's economic recovery strategy, says Reuters.

Bank Negara's governor Zeti Akhtar Aziz has economists scratching their heads last week when she said the central bank expects banks to hike deposit rates during the year.

Low interest rates have been central to Malaysia's recovery from its deepest recession in more than four decades.

In moves that rattled foreign investors and speculators, the government in 1998 slapped controls on capital flows and pegged the ringgit to the US dollar.

The measures allowed Bank Negara to lower rates, providing companies with access to low-cost capital to fund new investment.

Since the controls were introduced, the central bank has cut its three-month intervention rate from 9.5 per cent to

5.5.

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A rise in interest rates could throw a spanner in the recovery, which analysts say remains tenuous.

Malaysia's annual inflation rate, measured by the consumer price index, has been rock

steady at a modest 1.5 per cent over the first four months of the year.

Many analysts consider Bank Negara's 2000 inflation forecast of 3.0 per cent, up from 2.8 per cent last year, to be overly pessimistic as it presupposes very hefty price rises over the next few months.

"We believe that the trigger for raising rates would be a move beyond 3.0 per cent on the monthly CPI figure, something which has a very minute chance of happening," said Standard & Poor's MMS in a report.

Analysts said it would be dangerous for Bank Negara to abandon its accommodative monetary policy, needed to boost weak demand for investment credit and slack loan growth, both critical for long-term growth.

Total loans were up just 0.4 per cent at the end of March year-on-year and unchanged at the end of February.

ING Barings said in a report that week investment was the main brake on credit and money growth.

Struggling US companies face stiff funding squeeze

NEW YORK, May 28: Struggling US companies seeking to raise funds are being caught between a rock and a hard place as the Federal Reserve is expected to hike interest rates on Tuesday and the Nasdaq stock market languishes 31 per cent below its March all-time high, reports Reuters.

The US central bank is expected to raise borrowing costs by another half a percentage point on Tuesday, following five quarter point rises since last June. That is going to make already difficult financing conditions in both the debt and equity markets even tougher, analysts said.

The stock market slide has delayed or derailed plans by many companies for initial public offers of shares, while secondary sales of shares are also increasingly out of favour — particularly for dot-com web-based concerns. At the same time, investors have increasingly gone sour on corporate bonds, particularly in the high yield, or junk area, also leading to the shelving of financing deals.

"The guys who had little more than promise and a wonderful presentation are just not going to be received — no one is

willing to invest in them," said Irv DeGraw, research director at financial research firm WorldFinanceNet.com. "They'll get squeezed out for a while and look to other sources and, in many cases, it's exactly what should be happening to them."

Companies that are not yet established or have weak credit ratings have traditionally turned to issuing junk bonds to finance their businesses, especially if the IPO market is weak, but investors' appetites for riskier bonds has waned.

"There's a lack of liquidity and demand for those (junk) deals; the market is really squeezing the smaller issuer," said Mitchell Stapley, chief fixed income officer at Lyon Street Asset Management Co., in Grand Rapids, Mich.

Even major corporations with strong credit ratings have been increasingly turning to short-term borrowings through commercial paper or taking out bank loans rather than longer-term bond issues.

Financing costs for companies selling debt — even corporations with higher quality credit ratings — have risen sharply in recent months as

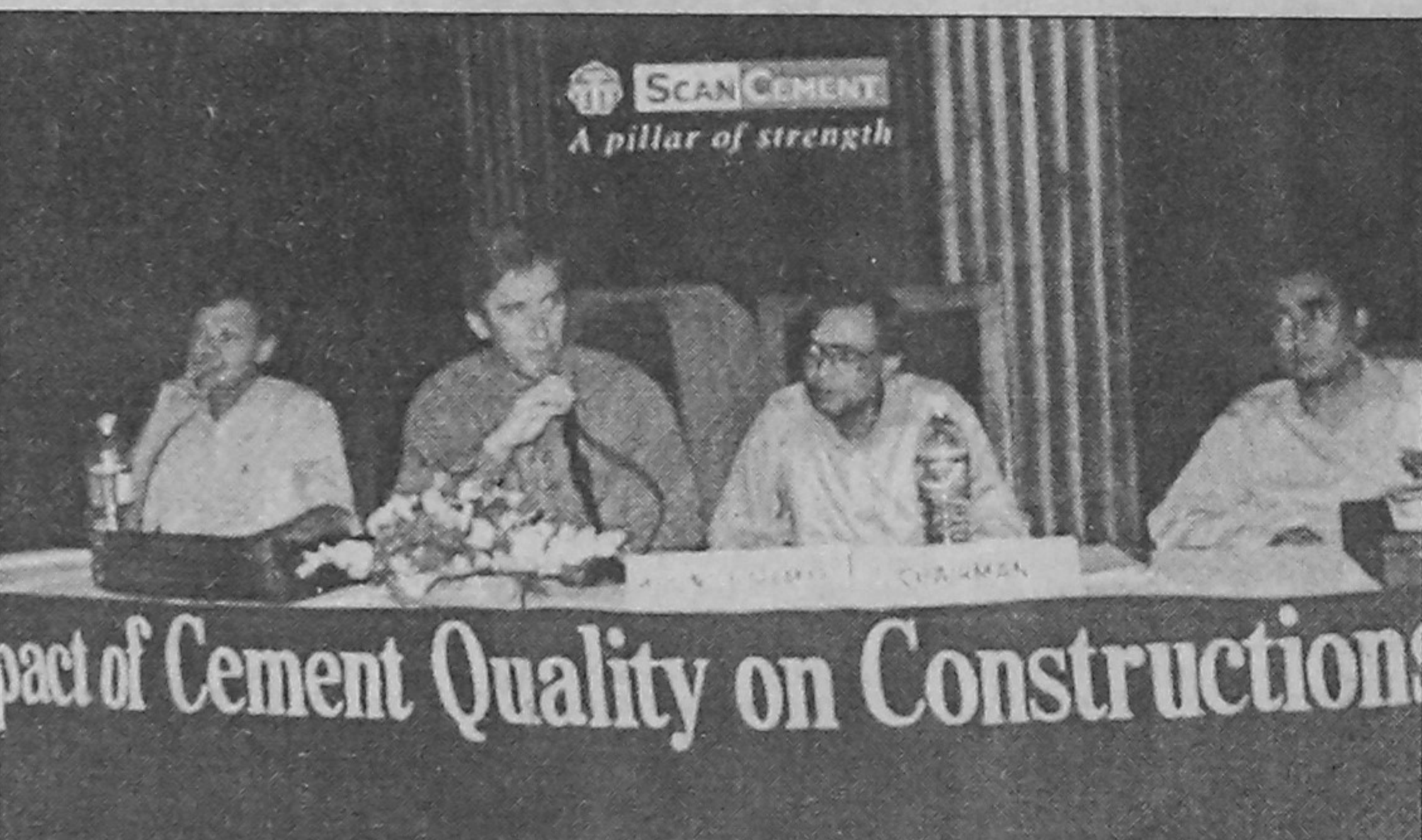
yields have surged. Spreads, the difference between yields of corporate debt and market benchmarks such as US Treasury, have widened.

So far this year, corporations have raised only \$19.3 billion in the junk bond market, down 54 per cent from a year ago, according to figures compiled by Thomson Financial.

It's getting tougher and tougher for smaller companies; they're facing wave after wave of redemptions from bond mutual funds... the bedrock for that sector," said Stapley.

Investors pulled more than \$3.6 billion from US high-yield bond mutual funds this year, a reliable gauge of investor sentiment for junk bonds.

Investors have soured on corporate bonds in part because they believe they can achieve better total returns elsewhere. Since the end of February, corporate bonds have returned about a negative 1.2 per cent — including interest — while junk bonds returned approximately a negative 1.9 per cent, according to Merrill Lynch & Co. indices. So far this year those indices are down about 0.8 per cent and 2.1 per cent, respectively.



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— Scancem photo