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The Daily Star BUSINESS

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BFFEA hails evaluation of Taka

Bangladesh Frozen Foods Exporters Association (BFFEA) yesterday hailed the devaluation of Taka against US dollar with a hope that it would help boost exports and foreign currency reserves, says UNB.

The association termed the latest decision of devaluation 'timely, realistic and a positive step to stop smuggling of dollar from the country'.

"The devaluation will balance the country's export trade with the neighbouring competitor countries," BFFEA president Kazi Shahnewaz said in a statement.

ANZ Grindlays arranges Tk 600m syndicated loan for Scancement

Scancement International Ltd, the first multinational company to operate in the cement sector in Bangladesh, has recently signed a Tk 600 million syndicated term loan agreement with the country's leading financial institutions, says a press release.

The syndication consummates the local currency financing need for the 680,000 MT per year cement clinker grinding plant at Kanchpur near Dhaka.

Other participants in the loan syndication are Southeast Bank, Credit Agricole Indosuez, ONE Bank, Prime Bank and Al Baraka Bank.

The Specialist Finance and Advisory Services Unit of ANZ Grindlays Bank has been appointed the arranger and adviser for the syndication.

Senior representatives of the bank in the syndicate were also present on the occasion.

Mokammel Haque, Executive Chairman of BOI, who was the chief guest on the occasion, assured all necessary support required from BOI to assist in such initiatives contributing to the industrial development of the country.

He said this investment is yet another testimony to Bangladesh, as being an attractive investment destination for foreign investors.

Abdul Awal Mintoo, President of FBCCI, was the special guest at the signing ceremony. He spoke of the urgency of the syndication for fueling economic development of the country.

KM Sattar, Head of Corporate Financial Services of Grindlays Bank, congratulated the management of Scancement for achieving this milestone.

Ola Schuppert, Chief Financial Officer of Scancement, expressed the company's commitment to Bangladesh and assured to play the leading role in the development of the country's cement industry.

Abir A Anwar, Head of SFA of Grindlays Bank, said syndication is a vital way to arrange finance for large industrial projects and thanked all the participating banks in the syndication.

OPEC's September summit to talk market, price

JAKARTA, Aug 12: Indonesia said today that OPEC's summit next month would focus on market and price developments, reports Reuters.

"The summit in September will discuss the market situation and price developments," Mines and Energy Minister Susilo Bambang Yudhoyono told reporters.

He was speaking after talks with visiting Venezuelan President Hugo Chavez, who is touring OPEC countries ahead of the summit in Caracas.

Yudhoyono said OPEC should stick to its current mechanism which targets a \$22-28 per barrel oil price for a basket of seven OPEC crudes.

But the group may need a "new consensus" if the price stays above \$28, he added.

Hyundai to issue exchangeable bond to ease liquidity crisis

SEOUL, Aug 12: South Korea's embattled Hyundai Group and its creditor banks are expected to reach an agreement which will see the conglomerate's construction unit issue exchangeable bonds to ease its liquidity crisis, news reports said today, reports AFP.

The Hyundai Group and the government's Fair Trade Commission (FTC) are also discussing Hyundai's draft plan to spin off its auto and shipbuilding units, Joonggang daily and Yonhap News Agency said.

"There is no need for us to insist that Hyundai must sell its securities as long as there is a way for Hyundai to secure liquidity at an early date," a Korea Exchange Bank (KEB) official was quoted as saying by Joonggang.

Kibria backs devaluation, finds it necessary to boost exports

By Staff Correspondent

Finance Minister Shah AMS Kibria yesterday spoke in favour of the recent devaluation of Taka against US dollar, saying it was necessary to increase exports and remittances as well as to check hundi business and smuggling.

"The recent Taka devaluation, which the Bangladesh Bank has done in consultation with the Finance Ministry, should have been carried out much earlier," he said while speaking at a working session of 13th biennial conference of the Bangladesh Economic Association (BEA).

The three-day conference held at the Planning Academy in the city concluded yesterday. Outgoing BEA President Prof Wahiduddin Mahmud, Binayak Sen and ERD Secretary Mashur

Rahman also spoke at the working session on 'Development Ideas'.

The finance minister said importers are dominating the country's economy and have amassed huge wealth by trading. "Our duty is not to protect their interest only. We have corrected the price of taka against dollar because our currency was overvalued," Kibria stated.

The correction had become necessary considering the present price of the Indian rupee against dollar, he said. "It is relevant to compare our exchange rate with that of India," he added.

"I do not want to say that taka has been devalued. I would rather prefer to say that taka has been

corrected against dollar."

He also mentioned that taka has been devalued less than the currencies of many strong economies like Singapore.

India devalued its currency against dollar by 19.8 per cent during June, 1997 to June, 2000. Indonesia depreciated its currency by 71.8 per cent, South Korea by 20.3 per cent, Malaysia by 33.6 per cent, Pakistan by 22.1 per cent, the Philippines by 38.9 per cent, Singapore by 17.3 per cent, Sri Lanka by 23.8 per cent and Thailand by 34.1 per cent while Bangladesh devalued taka by 14.4 per cent during the period, Kibria said.

The finance minister also came down heavily on the role of World Bank for making governance an

issue now.

"The Bank did not say anything when two military rulers were in power and destroyed all the institutions of the country. But I thank WB for raising the governance issue, though belatedly."

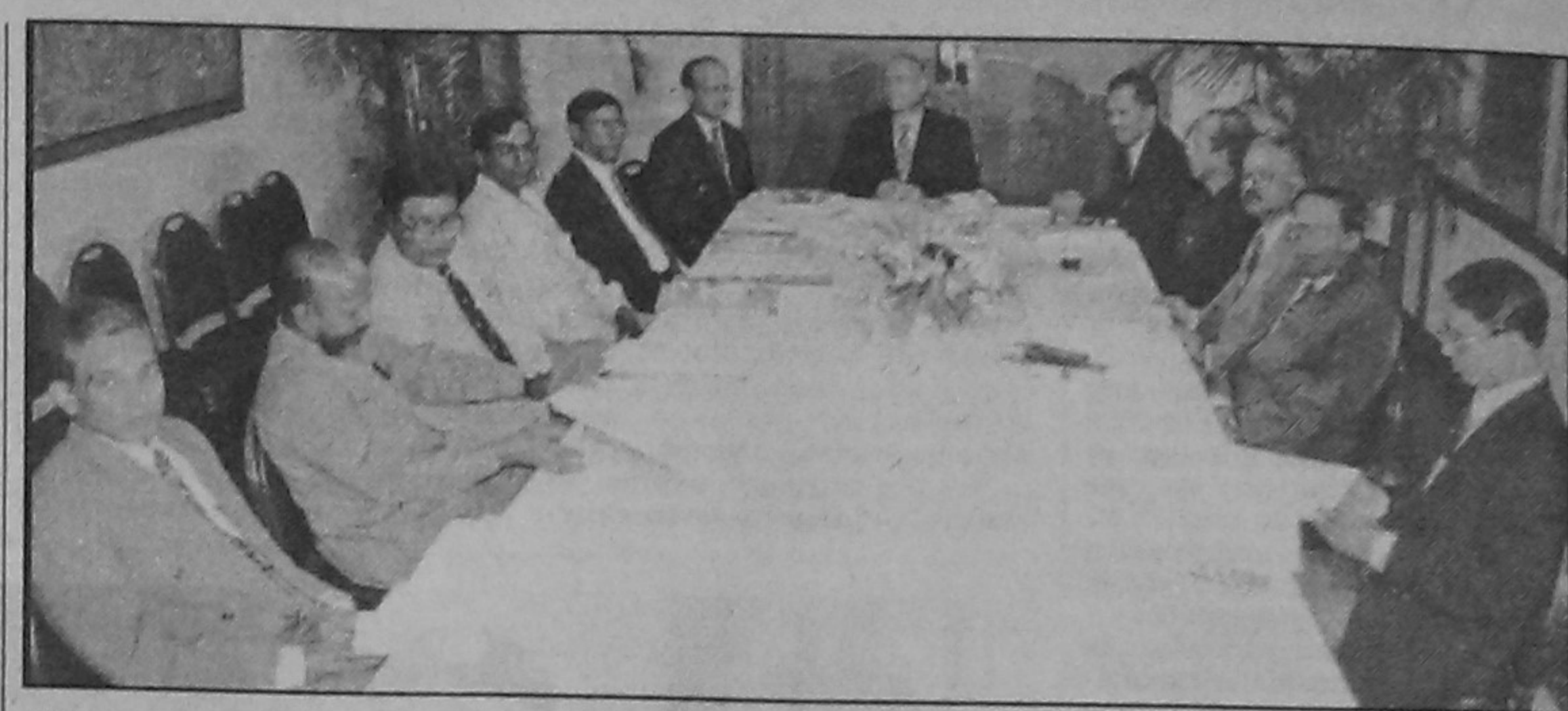
Kibria also expressed concern at the country's education standard and questioned the economic benefit of madrasa education. "Is it necessary that one third or one fourth of the country's total students should go for madrasa education? Will they be productive like others?" he asked.

"What would be their economic role in the society? This is an economic issue for the future of the country. The issue should be discussed openly," he viewed.

'US business confidence drops to lowest level'

WASHINGTON, Aug 12: Large business owners are growing less confident about prospects, despite the still-booming US economy, the National Association of Manufacturers (NAM) said Thursday, reports Reuters.

A NAM survey of 4,000 US firms found that business confidence had slipped to its lowest level since the first quarter of 1999, and only 78.6 per cent of firms felt either very positive or somewhat positive in the second quarter.



Picture shows the eleventh annual general meeting (AGM) of the Bank of Small Industries and Commerce Bangladesh Limited (BASIC) held recently at a local hotel. Al-Ameen Chaudhury (in the middle), Chairman of the Board of Directors of the bank and Secretary of the Ministry of Industries, presided over the meeting. It was attended, among others, by directors/shareholders: Syed Mushtaq, Joint Secretary, Ministry of Finance; Ziaul Islam Choudhury, Chairman, Bangladesh Small and Cottage Industries Corporation (BSCIC); Mohammad Abu Hafiz, Divisional Commissioner, Sylhet; Md. Rabiul Islam, Executive Director, Bangladesh Bank; and representatives of the only shareholder-owner, the government (Ministry of Finance), S.K. Biswas, Joint Secretary; Karimul Azim Baigh, Senior Financial Analyst; and Alauddin A. Majid, Managing Director of the bank. Also present at the AGM were Kazi Md. Joydul Amran, General Manager; Dewan Mujibur Rahman, General Manager; Md. Mosaddique Rahman, Secretary; M. Yunus, Senior Partner, Howlader Yunus & Co - the auditors of the bank.

—BASIC photo

US cos urged to invest more in Bangladesh power sector

WASHINGTON DC, Aug 12: Bangladesh Ambassador to the United States, K M Shehabuddin, has called upon American companies to invest more in the power sector of Bangladesh for which opportunities have been opened up in recent times, says BSS.

He urged prospective US investors to examine the options for investment in the power and other sectors in Bangladesh.

The envoy was speaking at the

signing ceremony of an energy partnership programme between the USEA/USAID and the Power Grid Company of Bangladesh Ltd (PGCB) here on Friday.

He expressed the hope that the programme, being funded by the USAID, would benefit the PGCB, a company set up by the government in 1996.

Recalling President Clinton's visit to Bangladesh in March this year, the ambassador opined that it "created a new window of

opportunities for investment in Bangladesh by US investors".

Shehabuddin told the potential entrepreneurs that by investing in Bangladesh they "would get proximity of a big market for their products in the neighbouring countries of Bangladesh".

The envoy mentioned various incentives for the new investors including tax holiday, easy repatriation of profits and tax exemption on royalty. Tax holiday for power generation will be 15 years compared to a maximum 10 years for units to be set in the export processing zones.

Shehabuddin said that his government "provides a wide range of opportunities for foreign private investment" and has opened up power, telecommunications, oil and gas, natural resources, toll road and port sectors to private investment on BOO (build-own-operate) and BOT (build-own-transfer) basis.

The government has been pursuing a private-sector growth strategy through continuing reform and liberalisation programmes coupled with limiting its primary role as a facilitator, he added.

BASIC declares 45pc dividend

Bank of Small Industries and Commerce Bangladesh Limited (BASIC) has declared a 45 per cent dividend for the year 1999, says a press release.

Of the total dividend, 25 per cent will be paid in cash and the rest 20 per cent will be given in the form of bonus shares.

The total money to be given as dividend will amount to Tk 90 million.

The dividend was declared at the 11th Annual General Meeting of the bank held at a city hotel recently.

Chairman of the Board of Directors of the bank and Secretary of Industries, Al-Ameen Chaudhury, presided over the meeting.

Bangladesh government is the sole shareholder-owner of the bank.

The bank has for the first time declared cash dividend. This is also the first time ever, since a long time ago, that the government is receiving cash dividend from a bank fully owned by it.

As a result of the issue of bonus shares, the paid-up capital of the bank has increased from Tk 200 million to Tk 240 million.

Speaking on the occasion, the chairman welcomed the shareholders for attending the meeting and placed the Board of Directors' Reports along with Audited Financial Statements for the year ending December 31, 1999.

The meeting disclosed that the bank posted a pre-tax profit of Tk 266.58 million in 1999 against Tk 226.91 million in 1998, reflecting a growth of 17.48 per cent.

The bank's capital and reserve representing shareholders' equity increased by 23.17 per cent from Tk 474.48 million in 1998 to Tk 584.43 million in 1999.

Total assets of the bank (excluding contra) increased by 24.05 per cent to Tk 6972.43 million at the end of 1999.

The return (after tax) on assets was 2.54 per cent and on equity 27.37 per cent. The risk weighted capital adequacy ratio was 14.27 per cent, which was well over the required rate of eight per cent.

The bank's deposit rose to Tk 5565.24 million in 1999 from Tk 4509.59 million in 1998, showing a growth rate of 23.41 per cent. Its outstanding balance of loans and advances was Tk 3960.11 million as on December 31, 1999, against Tk 3219.00 million in 1998.

Advances rose by 23.02 per cent in 1999, like in the previous year. Yet BASIC with its size and age has a small percentage of non-performing loans.

SAFE confce okays cross-border share listing, trading idea

Star Business Report

The two-day 3rd South Asian Federation of Exchanges (SAFE) conference ended in Karachi Friday with strong support to the idea of cross-border share listing and trading.

A number of innovative proposals like floatation of mutual funds in SAFE member countries without having to make any regulatory changes were also tabled in the conference.

As many as 22 delegates representing Calcutta Stock Exchange, Chittagong Stock Exchange, Colombo Stock Exchange, Delhi Stock Exchange, Dhaka Stock Exchange, Islamabad Stock Exchange, Karachi Stock Exchange, Lahore Stock Exchange, National Stock

Exchange of India, Nepal Stock Exchange and Stock Exchange of Mumbai attended the gathering. Dubai Financial Market and Mauritius Stock Exchange graced the conference as observers.

The conference in Karachi from August 10-11 was hosted by the Karachi Stock Exchange. The programmes of the conference included a session on "Cross Border Listing & Trade" and a formal session of the SAFE General Assembly to dispose of its agenda on August 11, 2000.

Speaking as chief guest, Pakistan Finance Minister Shaikat Aziz said cross-border listing of companies will improve performance of all the regional stock

exchanges and lead to more transparency.

The minister said that Pakistan would be the first among the SAFE member countries to opt for cross-border listing. He said this would be a stepping stone in cementing regional cooperation, which is a key to success in the global village.

He also observed that SAFE would ensure more transparency. The minister also said this may be an experience for the member countries to learn from their own shortcomings and it could become a strong regional association like NAFTA and ASEAN.

The inaugural ceremony was also addressed by Chairman of

SAFE Amir Khosru Mahmud Chowdhury, Chittagong bourse President.

Khosru said that global competition, growth of international issuers and investors, pressure for cost reduction and increasing attention to risk management issues are driving global securities markets towards closer cooperation.

Arif Habib, Chairman of the Karachi Stock Exchange, termed the event 'a significant development in the history of South Asia' and said that almost all the leading security markets of the region had joined hands to promote cooperation to develop their respective markets.

Japanese media divided over end to zero rate policy

BOJ says move aims at bettering economy

TOKYO, Aug 12: Japanese papers were divided today over the decision by the Bank of Japan to end its zero interest rate policy in defiance of fierce opposition from the government, says AFP.

"Why was the central bank in such a hurry to make the decision?" The nation's largest circulation daily Yomiuri Shimbun said in its editorial.

"One balance, impatiently lifting the zero-rate policy at this delicate stage was unnecessary," it said.

On Friday, the Bank of Japan abandoned its 18-month-old policy of driving the overnight call rate to near zero, which had been designed to stave off the threat of

deflation.

The zero overnight rate policy was terminated in a majority vote after a meeting of the nine-member monetary policy board, which lasted more than eight hours.

The central bank would now guide the rate - at which banks lend of each other - to around 0.25 per cent, marking the first increase in interest rates in 10 years.

The Yomiuri Shimbun doubted whether the decision was appropriate.

The central bank said Friday ending the zero interest rate policy was "in line with the improvement of the economy,

thereby contributing to long-term sustainable growth."

Bank of Japan Governor Masaru Hayami has said the zero-per cent policy was only ever an emergency measure and it risked slowing down structural reform by making corporate life too easy.

The respected liberal daily Asahi Shimbun supported Hayami.

"The governor is right," the daily said in its editorial.

"We have argued that the policy should be brought to an end as early as possible because it was a stopgap measure implemented in response to an emergency," the Asahi said.

Japanese PM may compile extra budget plan: Media

TOKYO, Aug 12: Japanese Prime Minister Yoshiro Mori said his government may compile an extra budget plan for the current fiscal year to help boost the economy, local media reported today, says Reuters.

"It is important to advance the (extra budget) plan," Mori told reporters during a vacation at a hot spring resort near Tokyo, the Kyodo News agency and others reported.

Until now, key members of Mori's cabinet and officials of the Ministry of Finance have said a decision on an extra budget for fiscal 2000/01 would be made after September's release of gross domestic product figures.

According to the reports, Mori called Economic Planning Agency chief Taichi Sakaiya on Friday night.

Tamed inflation helps Fed keep rates untouched

WASHINGTON, Aug 12: US consumers showed no signs of halting their spending spree in July but wholesale inflation remained tame, leaving room for the Federal Reserve to leave interest rates unchanged this month, says Reuters.

Sales at US retailers last month grew at the fastest pace since February as consumers spent more on building materials, cars and furniture, the Commerce Department said on Friday.

Retail sales rose a stronger-than-expected 0.7 per cent in July to \$270.55 billion after a 0.4 per cent rise in June.

With consumer spending acting as the key driver of growth in the sizzling US economy, some

analysts said the retail sales figure may spark worries at the inflation-wary Fed.

But, in a separate report on Friday, the Fed got a reassuring view of inflation. The government said wholesale prices were flat in July, helped by a dip in energy prices.

"The economy continues to expand strongly but inflation remains tame," Economy.com chief economist Mark Zandi said.

The Labour Department said its Producer Price Index, which measures prices paid to factories, farms and other producers, was unchanged in July after a 0.6 per cent gain in June.

Excluding volatile food and energy components, the core index rose just 0.1 per cent after a

0.1 per cent drop in June.

Zandi said the two sets of data encouraged the hope that the giant US economy might achieve a so-called "soft landing," where growth moderates to a more sustainable level without risking a recession.

Financial markets largely shrugged off the reports since they did not alter predictions that he Fed would take a wait-and-see approach later this month.

Economists noted the retail sales were not worrisome for the Fed when looked at over a long period of time.

Add that to the wholesale price data and analysts said the Fed's policymaking federal Open Market Committee would keep interest rates steady at its next meet-

ing on Aug. 22. The Fed has raised rates six times in the last 14 months to cool the booming US economy.

"The retail sales rebound was surprising but it still doesn't rock the boat from the Fed's point of view," First Union chief economist David Orr said.

"I don't look at the bounces so much as the trend and it looks like a good trend," he said. "There is nothing in here that would cause them to have any ulcers."

From January to March, retail sales skyrocketed an annualised 13.5 per cent and then slowed to an annualised growth rate of 2.1 per cent from April to June. Orr said he estimated sales growth will likely fit in the range of 5 to 6 per cent from July to August.

Payback from foreign investors Brazil cashes in on roaring economy

BRASILIA, Aug 12: Brazil got payback this week from foreign investors who abandoned it a year ago, capitalising on a swift first half recovery with Latin America's biggest-ever stock offer and the largest Brady debt buy-back in history, says Reuters.

The record-breaking week ushered Brazil back into the club of emerging market favourites as analysts bet Latin America's top economy would sustain its new momentum.

"It's not a joke. I think it is back to stay," said Walter Molano, head of research at BCP Securities. "I think we are at the start of a major emerging markets rally, with the rally revolving around Brazil and Mexico."

The outlook is indeed bright, Brazil announced a stunning economic expansion of 3.8 per cent in the first half of the year its highest for the period since 1997. And a blistering round of interest rate cuts over past two months promises continued growth.

And soccer-legend Pele got to ring the closing bell on Wall Street Thursday as Brazil sold a record 7.3 billion reais (\$4 billion) worth of shares in huge state oil group Petrobras nearly double the amount forecast by analysts.

For the government, the rally is especially sweet after emerging market investors bled Brazil for two years, ending in a final haemorrhage of cash that forced the central bank to devalue the currency and raise interest rates to 45 per cent early in 1999.

The bank's capital and reserve representing shareholders' equity increased by 23.17 per cent from Tk 474.48 million in 1998 to Tk 584.43 million in 1999.

Total assets of the bank (excluding contra) increased by 24.05 per cent to Tk 6972.43 million at the end of 1999.