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The Daily Star BUSINESS

DHAKA, TUESDAY, SEPTEMBER 19, 2000



IPDC signs MOU with Exim Bank of India

Industrial Promotion and Development Company of Bangladesh Limited (IPDC) has signed a memorandum of understanding (MOU) with Export Import Bank of India (Exim Bank of India) with a view to promoting industrial development in Bangladesh, says a press release.

IPDC is a private sector development financial institution with the government holding 30 per cent stake. Aga Khan Fund for Economic Development (AKFED) 17.5 per cent, German Investment and Development Company (DEG) 17.5 per cent, International Finance Corporation (IFC) 17.5 per cent and affiliate of the World Bank, and Commonwealth Development Corporation (CDC) 17.5 per cent.

Secretary, Ministry of Industries, is the Chairman of the Board of Directors of IPDC.

Export-Imports Bank of India, an apex financial institution which is fully owned by the government of India, is engaged in financing, promoting and facilitating India's international trade. The vision of Exim Bank of India is to develop commercially-viable relationships with a set of target companies, aimed at enhancing their globalisation efforts.

On the basis of this MOU, IPDC and Exim Bank of India agree to co-operate with each other in activities such as exchange of information on trade, business and investment opportunities, location of suitable joint venture partners, exchange of publications and other useful literature to keep each other abreast on the latest developments in India and Bangladesh, organising seminars/workshops etc.

BB T-bill auction held

The 106th auction of the 28-day, 91-day, 182-day, 364-day, 2-year and 5-year treasury bills were held here Sunday, reports UNB.

Taka 1444.50 crore, Tk 4.00 crore, Tk 16.50 crore, Tk 21.00 crore and Tk 63.00 crore were offered for the 28-day, 91-day, 182-day, 364-day and 2-year bills respectively.

Of these, Tk 1338.50 crore, Tk 1.00 crore, Tk 20.00 crore, Tk 63.00 crore in total of Tk 1425.50 crore of 28-day, 91-day, 182-day, 364-day and 2-year bills were accepted respectively.

The range of the implicit yields of the bills were 6.00-6.16 per cent, 6.40 per cent, 6.83-6.94 per cent, 7.35-7.56 per cent and 8.38-8.50 per cent per annum respectively. No bids were offered for the 5-year bills.

It may be mentioned here that Tk 200.00 crore of the 28-day treasury bill were the premature encashment on September 11 and due to maturity of the bills, the total amount of Tk 1256.00 crore will retire during the current week.

Deutsche Post raises its stake in DHL Int'l

Deutsche Post (DPWN) and DHL International have announced that DPWN is to increase its stake in the express service provider DHL International to 51 per cent in January 2001, says a press release.

This was announced by chairman of both companies, Dr. Klaus Zumwinkel (DPWN) and Patrick Lape (DHL International) in Paris recently.

This move will greatly strengthen the market position and growth prospects of the global logistics group DPWN in the run-up to the company's IPO in November.

Following the completion of the transaction, DPWN will hold a 51 per cent stake in DHL International, the pioneer and market leader of the global air express industry. DHL has an international network linking more than 80,000 destinations serving 635,000 cities in 228 countries and employing over 64,000 people. DHL International, headquartered in Brussels, generated revenues of approximately 4.0 bn Euro in 1999.

The move will enable the two groups to offer complementary logistics and air express services and gives customers easier access to the full capabilities of both the companies.

Dr. Klaus Zumwinkel, Chairman of Deutsche Post World Net, underlined the importance of the transaction for the Group's forthcoming IPO: "DHL founded the global express industry and is considered to be the gem of the entire industry. The services provided by DPWN and DHL complement each other and we will be able to provide our international customers with market leading services in the global express business in future. With DHL, the growth and earning prospects of Deutsche Post World Net will be considerably

AES Haripur to start generating 230 MW by May next year

Generator installation begins

By Monjur Mahmud, back from Haripur

AES, a US power company, hopes to start generating 230 MW power at its Haripur plant by May next year with the installment of gas turbine generator that began yesterday.

"We will complete the simple cycle capacity of 230 MW by March and commission it by April next year. As a result, we will be able to begin supplying 230 MW electricity to the national grid by May, 2001," said Scott Kicker, Managing Director of AES Haripur Private Ltd, at the gas turbine installation ceremony at Haripur yesterday.

Prof. Rafiqul Islam, State Minister for Energy and Mineral Resources, M Akmal Husain, Energy Secretary, Young Jo Jung, Ambassador of the Republic of Korea, Dan Mozena, Chief of Political Section of the US Embassy in Dhaka also attended the function.

On completion by October 2001, the project will generate a total of 360 MW.

AES has been pursuing the project since 1997. It started preparing the project site on April 23 in 1999 after signing agreements with PDB, Industries Ministry and Titas Gas on September 17 in 1998.

With a non-fuel tariff of less than one US cent per kWh (Tk 0.40 per kWh), the Haripur project is one of the cheapest power plants in the world.

The project involves approximately US\$ 200 million in direct foreign investment. The total investment of AES, which is also implementing the 450 MW Meghnaghat project, will be over US\$ 500 million in the world.

Speaking on the occasion, Prof. Rafiqul Islam said the government's initiative to generate power in the private sector has been successful.

"Now we are planning to formulate a policy so that the private sector can set up small power units of one, two or 10 MW capacity."

Orion back to bourse at last

Star Business Report

For many, Orion Infusion Ltd may be a name long gone into complete oblivion. The ban on the company's share trading due to dividend default two-and-a-half years ago turned Orion scrips into valueless papers.

The trauma of the investors may be over as the Dhaka Stock Exchange (DSE) Sunday withdrew its suspension on trading of Orion Infusion Ltd shares.

Trading of Orion scrips will resume tomorrow in the country's two bourses, sources said.

The DSE councilors took the decision as the company met all the conditions slapped by the two bourses and market watchdog -- the Security and Exchange Commission (SEC), sources said.

The DSE also waived a Tk 12 lakh fine it imposed on the company considering its 'cash flow problem'. However, the company paid a token Tk 2 lakh penalty as decided by the DSE Council.

Following the withdrawal of trading suspension, Managing Director of Orion Obaidul Karim said this would give the investors some sort of relief.

He also said that the company fulfilled all the conditions imposed by the market watchdog.

The company held three of its pending annual general meetings (AGMs) for the years 1997, 1998 and 1999 - one of the preconditions for the resumption of share trading - on July 27 at its factory premises in Narayanganj.

The company which was listed with both the

stock exchanges declared 32 per cent cash dividends for 1995 and 1996 and a right share against every two holdings worth Tk 100 each when its share prices stood at Tk 263.05. But it failed to distribute the dividends among its shareholders, forcing the bourses to suspend trading of its scrips in February 1998.

According to company sources, out of the declared dividends worth Tk 31.05 million, the company has so far paid Tk nine million to the investors till date. However, a total of Tk 20.25 million still remains unpaid.

The company officials earlier said that the shareholders have agreed to a proposal to allow deferred payment of the declared dividends for 1995 and 1996 in five years' time.

The Securities and Exchange Commission on August 6, 1998 fined Orion Infusion Tk 1 lakh to be paid within seven days, failing which it faced a per day fine of Tk 10,000.

Later in March this year, Orion agreed to pay SEC the slapped penalty and sought an end to its trading suspension.

The SEC told Orion that prior to consideration of any proposal, it must submit its audited accounts for FY 1997 and 1998 to the Commission by January 31, 2000. The regulators also directed the company to hold a shareholders' meeting to settle the row over dividend payments.

Creditors open new auction for Daewoo Motor

Fresh bids sought from GM, DaimlerChrysler

SEOUL, Sept 18: Creditor banks of Daewoo Motor Co today opened a new auction for the bankrupt South Korean car firm following Ford Motor Co's withdrawal from a 6.9 billion dollar takeover deal, says AFP.

The chiefs of five major creditors of the auto company and Daewoo's restructuring committee sought fresh bids from general Motors Corp and DaimlerChrysler, which had taken part in an earlier auction with Ford.

Ford's withdrawal triggered a share market fall Monday, with investors concerned over the delay of restructuring.

"It could not be worse than it is now... Ford's walking away from Daewoo Motor has dealt a big blow to the market," said Daishin Securities analyst Seo Hong-Su.

Investors worry the Daewoo auction may fall apart, he said, adding Hyundai has insufficient funds to take over Daewoo Motor. DaimlerChrysler also looked less interested in making a new bid.

GM has said it would like to resume talks with Daewoo.

But analysts said GM may show less interest in Daewoo Motor because of book-rigging by Daewoo Group subsidiaries.

The creditors hope to pick the winning bidder next month, he said, adding Daewoo Motor would get fresh finance if needed. The Korean auto company has been kept alive with special loans since its collapse in August last year.

We are offering good terms. The winner will be allowed to sign a preliminary contract even before his acquisition of Daewoo Motor. That means money can be paid later," Uhm said.

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Prosecutors will start work this week on the biggest corporate scandal to hit South Korea after Daewoo Group leaders were accused of a 20 billion dollar accounting fraud.

The Financial Supervisory Commission has said the 15 trillion won of debts were left out of accounts and asset values were inflated in what has been seen as a desperate attempt to convince creditors to put up more money.

Daewoo Group, once South Korea's second largest conglomerate, collapsed last year under 80 billion dollars of debt, in the world's biggest bankruptcy. The collapse left South Korea's already weak banks with billions of dollars of extra bad loans.

Analysts warned creditors risk heavy losses as Daewoo Motor's debt has been growing. Daewoo Motor's borrowings amount to 13.8 trillion won (12.3 billion dollars).

The auction is the key to the restructuring of the Daewoo group, which is in turn an essential part of South Korea's overall economic reform," said Samsung Securities analyst H.Jin Lee.

Continued govt borrowing to jeopardise economic stability

By Ronald P Hicks

In a few days' time, Finance Minister Shah A.M.S. Kibria will lead a Bangladesh delegation to the annual meetings of the IMF and World Bank in Prague. The meetings will be an opportunity for the minister and his delegation to discuss the WB and IMF activities in Bangladesh and to exchange views on economic policy. But more than that, it is a chance for Bangladesh to make its voice heard and to join in discussions on the global economy and in decisions on the work of the IMF and the international financial system.

The word 'globalisation' may not appear on the formal agenda, but the theme will pervade the meetings. The rapid growth of international trade and investment has brought enormous progress to many countries. But capital flows can be volatile, exposing countries to the risk of financial crisis. And with some nations integrating into the global economy more quickly than others, the gap between rich and poor countries is growing ever larger.

Horst Kohler, who became Managing Director of the IMF in May 2000, has expressed his determination to strengthen the voice of developing countries within the institution. Since joining the IMF, he has travelled to Africa, Asia, Eastern Europe and Latin America to listen to views on the IMF's role and how it needs to change. He will now use his first annual meeting to outline his vision of the IMF's future, presenting ideas on how to make the IMF more effective in today's rapidly evolving world economy.

From his travels, Kohler learned that countries generally share his conviction that the IMF should focus its work more sharply on policies that foster

economic growth and financial stability, those relating to the government budget, money and credit, the exchange rate, and financial markets. Good policies in these areas help countries reap the benefits of globalisation. They become better able to withstand economic shocks, including shocks from outside. And these policies contribute to economic growth, which is indispensable for reducing poverty.

For Bangladesh, such policies will need to be focused on boosting private sector-led economic growth, especially by reviving and diversifying the export sector. A more prudent fiscal stance in particular is urgently needed to arrest the rapid expansion in the government's domestic borrowing requirements. Otherwise, continuation on the recent trend of government borrowing from the banking system could jeopardise macroeconomic stability and limit the private sector's access to bank credit for productive investment. At the same time, much greater emphasis should be put on market-oriented structural reform policies to establish a sound banking system, enhance competition and efficiency, and provide a sustainable basis for accelerating economic growth and poverty reduction.

Countries in difficulties often do need IMF loans to ease adjustment and support reform. But IMF loans can only be temporary. Conditions are attached to IMF loans to ensure that the money is put to good use. And experience shows that economic reforms work best when the country is committed to them. So, to improve country 'ownership' of policy programmes, the Fund is looking at how conditions might be better tailored to individual country circumstances.

"We value the work of the Fund," Kohler has heard this repeatedly from developing country members. The IMF has a role to play in helping all of its 182 members share in the benefits of globalisation. This includes the poorest and most heavily indebted countries. Under the Initiative for Highly-Indebted Poor Countries, the IMF has played its part in substantially reducing the debt burdens of 10 countries over the past year, and is aiming for another 10 by

the end of 2000.

This represents significant progress in reducing debt burdens and freeing resources for poverty reduction. Some have asked why debt reduction has not proceeded faster, but time is needed to ensure that debt relief goes hand in hand with policies including good governance that create the conditions for a better future. The IMF is also supporting these policies with concessional loans from its Poverty Reduction and Growth Facility. And it is working more closely than ever with the World Bank under a recently-announced 'enhanced partnership' to promote sustainable growth and poverty reduction. In Bangladesh, for example, the Fund and the Bank will endeavor to work closely with the authorities to assist them in preparing their poverty reduction growth strategies for the period ahead.

These are crucial issues. Indeed, they may prove of vital importance for Bangladesh as it becomes increasingly engaged with the global markets that have spread rapidly from country to country, attracting labels like "Asian flu." So the IMF is continuing to examine how best it can help countries manage and reduce these challenges.

In a half-yearly report, the Bank said that Asia nevertheless remained vulnerable to demand-related shocks because the region's 1997 financial crisis had left a triple legacy of heavy debt, skittish investors, and greater household insecurity.

If demand should suddenly collapse, companies that can now pay their debt and are beginning to invest could quickly go under," the report said. Governments at the same time might suddenly have to cut social spending: investors might pull out their money and the poor might become less patient with their governments.

For that reason, the World Bank is sending a strong message to East Asia not to let today's positive news camouflage the underlying weaknesses, nor distract government attention from the continuing reform effort as could easily happen, because the recovery has been remarkable," said Masahiro Kawai, the bank's chief economist for East Asia and the Pacific, who presented the report at a news conference.

The bank, which expects growth this year in East Asia to exceed last year's blistering pace of 6.9 per cent, said some of the clouds that had darkened the economic outlook at the start of the year were lifting.

The US economy now seemed to be heading for a soft, not a hard landing, the risk of a recession from a slump in highflying stock prices had abated; and the outlook for powerhouse Japan looked ever brighter, the report said.

Even the risk that festering political conflicts could explode into violence had lessened, at least on the Korean peninsula, following June's landmark summit between the leaders of the two Cold War foes.



ATM Hayuzzaman Khan, Chairman of Dhaka Bank Limited, delivers his speech at the concluding session of a training course on 'International Trade Finance and Foreign Exchange' at the bank's Training Institute on Sunday. A M Iftikar Rahman, Managing Director, Md Mokhlesur Rahman, Deputy Managing Director, and M Nazrul Islam, Executive Vice President, are also seen in the picture.

—Dhaka Bank photo

IMF, WB urged to write off cent per cent debt

Jubilee 2000 blast Bretton Woods instts' claims

LONDON, Sept 18: The International Monetary Fund and World Bank should write off all the debt owed to them by the world's poorest countries three times the amount they are planning to scrap campaign group Jubilee 2000 said today, says Reuters.

It produced a new report called "Shadowy Figures" rebutting the Washington-based institutions' claims that drawing down their reserves to finance debt write-offs could adversely affect their triple-A lender status.

"The miserly one-third cancellation currently on offer will still leave poor countries spending more on debt on healthcare," said Anne Pettifor, the head of Jubilee 2000, an international development association.

But while the Group of Seven rich nations Britain, Canada,