Star BUSINESS

DHAKA FRIDAY AUGUST 30, 2002

'Steps to be taken to protect textiles'

UNB, *Dhaka*

LGRD and Co-operatives Minister Abdul Mannan Bhuiyan yesterday reaffirmed that steps would be taken to protect the textiles sector in the interest of the national economy.

He gave the assurance when a delegation of Bangladesh Textile Mills Association (BTMA) met him at his office.

Textiles Minister Abdul Matin Chowdhury was present during the meeting.

BTMA chairman A Matin Chowdhury led the delegation.

Also present at the meeting were BTMA Vice-Chairman Abdul Matin, Secretary General Enamul Haq Chowdhury, former minister Anisul Islam Mahmud, Tapon Chowdhury, MA Awal, Jahangir Al Amin, Manjurul Haq, Akram Khan and Abdullah Al Mahmud.

IDB Infrastructure Fund opens office in Brunei Darussalam

Islamic Development Bank (IDB) Infrastructure Fund has opened its Asia Regional Office in Brunei Darussalam.

The Deputy Minister of Finance of the Sultanate of Brunei Darussalam, Dato Paduka Haji Yakub bin Abu Bakar, inaugurated the office recently, says a press release.

The US$ 1.5 billion Fund is the first of its type to focus on infrastructure development in Muslim countries. It provides equity and complementary financing for private sector infrastructure projects in a wide range of sectors, including power, telecommunications, transportation, natural resources development, and infrastructure-related sectors such as cement.

Speaking on the occasion, the minister said "The inauguration of the Fund's office in Brunei Darussalam is an important milestone in promoting Brunei Darussalam's emergence as a leading centre of international investment and Islamic finance, and is expected to contribute to an acceleration of investments in infrastructure in the Asian member countries of the Islamic Development Bank. As such, we warmly welcome the opening of the Fund's office in Brunei Darussalam, and we look forward to working closely with the Fund."

Vietnam to open trade centres in Russia, UAE, US

AFP, *Hanoi*

Vietnam will open trade promotion centres in Moscow, Dubai and San Francisco amid efforts to expand its export markets and further integration into the world economy, officials said Thursday.

The three centres are expected to be opened later this year, Ngo Van Thoan, director of the Trade Ministry's Trade Promotion Department told AFP.

"There are still some final administrative procedures to be resolved with the host countries, but we hope we can inaugurate these centres by the end of the year," Thoan said.

These centres will promote the potential of Vietnamese companies to produce quality goods and help local exporters expand their markets and business with overseas partners.

Each centre will have a showroom to display the products of Vietnamese exporters. In the first years of operation, the money to set up these showrooms will come from state budget but later from the exporters themselves.

Vietnam now exports to more than 140 countries and territories in the world. The country's exports earning reached 10.31 billion dollars in the first eight months of this year.

Intel to invest $130m in Indian chip design centre

AFP, *New Delhi*

The world's largest computer chip maker Intel Corp. said Thursday that it will invest 130 million dollars to expand its chip design centre in India over three to five years.

"The 130-million-dollar fresh fund infusion will be used to increase the number of engineers at our facility in southern India (Bangalore) to 3,000 in three to five years from about 900 employees at present," Intel chief executive Craig Barrett told reporters.

Barrett also said that Intel, which designs chips in India for switches and routers used in directing Internet traffic, also planned to start design work for its Pentium and Xeon processors in the country.

Listed companies plan to take SEC to court

BAPLC decries order to recast boards of Z group firms

MONJUR MAHMUD

The association of listed companies yesterday said it will go to court against an order of the Securities and Exchange Commission (SEC) that called for reconstitution of company boards in Z category.

The association will, however, meet the finance minister to raise the issue before going to the court, Bangladesh Association of Publicly Listed Companies (BAPLC) leaders said at a meeting with the Z category companies.

"We will have a meeting with the finance minister as early as possible and tell him that the power SEC is now exercising is not healthy for any party," said a leader of the BAPLC.

Speaking at the meeting, the BAPLC Vice-President Syed Manzur Elahi said the association will like to follow a dual approach. Firstly, it will try to convince the finance minister to change the SEC directive and if it fails, the directive will be challenged in the court.

BAPLC President Samson H Chowdhury, Adviser M Sekander Ali, executive committee members and managing directors of the Z category companies also attended the meeting.

Samson H Chowdhury urged many Z category companies who are not members of the BAPLC to join the association. "If you join us we will be a big force," he added.

Manzur Elahi asked the Z category members to consult with their own lawyers about the SEC directive. "It will be better if individual members challenge the order not the association."

Sekander Ali said the companies that did not hold their annual general meeting should be included in the Z category only. "Companies should not be in the Z category if they fail to declare dividend. A company may not make profit for various reasons".

The SEC issued an order on August 14 to reconstitute the existing boards of directors of the listed companies remained in Z category for one year or more for improvement of their performances. The companies were asked to reconstitute their existing boards by holding extra-ordinary general meetings within six months.

The SEC order said: "Within six months from the reconstitution of the boards of directors, the companies shall be able to identify specific reasons for their failures and also name people, if any, responsible for the failures."

It said the issuer companies will also take appropriate steps including legal measures, if applicable, against the persons identified for the company failures, and prepare specific proposals for appropriate action plans for improving the operational and financial performance with a view to running the firms profitably.

"In case the issuer fails to show improved operational and financial performance of the company within twenty four months from the date of board reconstitution, it shall take appropriate measures for dissolution of the company, including merger or winding up, as per law, after taking the shareholders approval by holding extra-ordinary general meeting within three months of expiry of the twenty four months," the order said.

PHOTO: GP

Tofazzal Hossain, chief estate officer (West) of Bangladesh Railway, and A M M Yahya, director of External Coordination and Legal of GrameenPhone, sign agreements on behalf of their respective sides in the city recently.

GP to expand network to six northern districts

GrameenPhone will expand its network to six northern districts in the country, says a press release.

Under the expansion, GP network will cover Dinajpur, Rangpur, Gaibandha, Lalmonirhat, Joypurhat and Nilphamari.

Two separate agreements to this effect were signed by GrameenPhone and Bangladesh Railway in the city recently.

The accords were signed by Tofazzal Hossain, chief estate officer (West) of Bangladesh Railway, and AMM Yahya, director of External Co-ordination and Legal of GrameenPhone.

Shamsuddin Habibullah, general manager (West) of Bangladesh Railway, Syed Hossain, consultant of GrameenPhone, and high officials of both the organisations were also present on the occasion.

Under the deals, the mobile phone operator will be able to build towers and other installations on BR land in 10 different locations.

Incentives offered for Japan bank mergers

AFP, *Tokyo*

Japan may pump 8.5 billion dollars into banks which agree to merge and offer them extra deposit guarantees to encourage consolidation under a proposal outlined to the ruling political parties Thursday.

But some analysts said the move would fail as banks had an aversion to accepting public funds because this would be seen as acknowledging their weakness.

The government's Financial Services Agency (FSA) said it will ask for a budget allocation for one trillion yen (8.5 billion dollars) to be set aside for merged financial institutions to maintain their capital adequacy ratio, which measures capital against loans.

"Mergers, especially for regional financial institutions, are an effective way to strengthen their core operations. But various disincentives exist, such as time-consuming procedures and the high costs associated with it," an FSA official said.

"We want to eliminate those disincentives," he said.

Under the proposed recapitalisation programme, the government's Deposit Insurance Corp. would issue government-backed bonds to reinforce the capital of merging financial institutions.

The banks would issue new shares in return for the funds.

Without such a measure, a relatively stronger bank's capital adequacy ratio -- the level of capital relative to assets -- would fall if it merged with a weak lender, a second FSA official said.

"Under our programme, bank mergers will be possible without the capital adequacy ratios falling at merging entities," he said.

But HSBC financial analyst Brian Waterhouse was critical of the proposal.

"It won't work. They tried this in 1998 and almost no bank took public money," he said. "Every single one of the reasonable banks I have spoken to recently said no, we are not interested. It is a grand gesture."

Naoto Odagiri, banking sector analyst BNP Paribas, said many regional banks needed government funds, but he doubted whether they would be prepared to merge to secure them.

"Mergers are very rare among regional banks. The management of those banks have very strong pride and egos," he said noting that Japan had about 160 different regional lenders.

UAE GDP dips on oil revenue slump

AFP, *Abu Dhabi*

The gross domestic product (GDP) of the United Arab Emirates (UAE) dipped 3.7 per cent to 67.6 billion dollars in 2001 on the back of a decline in oil revenues, the central bank said in its annual report released Wednesday.

Oil sector revenues fell 6.5 per cent to 13.1 billion dollars from 14 billion in 2000, the bank said, adding that the sector's contribution to GDP was down 1.8 percentage point at 22.1 percent.

"This was mainly attributed to the (14.3 percent) drop in average oil prices from 27.20 dollars a barrel in 2000 to 23.30 dollars a barrel in 2001.

"With the output growth rate increasing at a slower pace than the population growth rate, GDP per capita dropped by 5.7 per cent in 2001 to 16,948 dollars from 17,984 dollars in 2000," the bank said.

Non-oil sectors accounted for 77.9 per cent of GDP, reaching 46 billion dollars, compared to 44.4 billion dollars, or 76.1 percent, in 2000.

The report noted that the UAE's total population rose 7.4 per cent to 3.4 million in 2001, without giving details on the breakdown of nationals and expatriates.

Toyota steps into Chinese market

AFP, *Beijing*

Japan's Toyota took a major step into the booming Chinese vehicle market Thursday, announcing a tie-up with local giant First Automotive Works (FAW) to jointly manufacture up to 400,000 vehicles a year.

The new venture aims to grab an eventual 10 per cent share of the country's car market, the firms said at a press conference in Beijing.

Neither company would disclose the size of their investment nor the models to be built.

"We do not have concrete figures at this stage," Toyota president Fujio Cho told reporters.

However, he said that based on past experience, production of 200,000 cars would normally require an investment of 150 billion yuan (18 billion dollars).

"So for 300,000 to 400,000 cars, you can work this out for yourselves, although you can't take it as a final figure as there will be many factors affecting the size of our investment," he said, saying the project would use existing FAW equipment.

Toyota and FAW, the latter of whom already has a joint venture with Germany's Volkswagen, said the deal would involve the production of three types of vehicles -- mid- to high-end luxury sedans, mini-cars or minivans and high-end sports utility vehicles (SUVs).

However, Cho said no decision has yet been made on which models will be produced.

"We haven't decided ... And we need permission from the government about what type of car we produce. But we are certain about the three types of vehicle," he said.

The firms will jointly build a new factory in the eastern port city of Tianjin to produce the luxury sedans, branded as Toyotas, from 2005 with a target of 50,000 units a year, Toyota spokesman Mashashi Honda said.

PHOTO: DBBL

Photo shows Abul Hashem Khan, president & managing director (in-charge) of Dutch-Bangla Bank Limited, with the participants of a foundation training course for officers of the bank, which ended in the city on Tuesday.

Gold lacks lustre ahead of Indian festival season

REUTERS, *New Delhi*

Gold demand in India, the world's largest consumer, is likely to be subdued in the key buying season beginning next month because of a severe drought curbing rural purchases, traders said Wednesday.

Trade officials and dealers said gold demand between September and December is likely to be down by 20 to 25 per cent compared with a year ago as large parts of the country remained dry in July, raising fears of widespread crop losses.

Official gold imports into India averaged around 40 tonnes a month during the October-December quarter of 2001, according to the World Gold Council.

"There are some signs on the demand front, but we are not very hopeful. We expect the demand fall by around 25 per cent in the season," said Raju Bhai of Kiran Jewellers from Jaipur.

The northwestern Rajasthan state capital Jaipur has emerged as India's leading import centre due to lower local taxes.

Gold purchases in India rise in the wedding and festival season, which begins in September and peaks in November during Diwali, the Hindu festival of lights.

Farm ministry officials say inadequate rainfall during the monsoon is likely to lower output of winter crops, sown in May-June and harvested in October-November.

"Damage to crops is going to lower income of people in rural areas which will directly impact gold demand," said Ahmedabad-based trader Girish Chokshi.

India's southwest monsoon, which runs from June to September, revived in early August after a dry phase in July. But rainfall between June 1 and August 14 was still 24 per cent lower than normal.

A bulk of gold demand in the country is generated from rural India where the yellow metal is considered ideal for investment.

Traders in western Ahmedabad city said volatility in the international prices could depress demand. "If there are frequent fluctuations in the prices then buying will go down further," a dealer said.

Purchases in the past one week have risen, with around 5,000 bars weighing 116.64 grams each being imported through Jaipur every day versus 2,000 bars a fortnight ago. But imports at this time of the season normally reach around 8,000 bars in Jaipur.

"Indian gold demand is highly price sensitive and it takes long for the market to absorb volatility and a surge in prices," said Hiroo Mirchandani, a Bombay-based associate director of the World Gold Council.

Indian gold prices are derived from global quotes as India imports nearly 70 per cent of its annual demand of 850 tonnes. In the Bombay bullion market, gold opened at 60,420 rupees ($1,247) a bar up from Tuesday's close of 60,069 rupees tracking the global prices.

Indian dealers said they had set a range of $305 to $310 an ounce for buying gold. "Right now it is a wait-and-watch situation because the prices have crossed $310 level," trader Pawan Kumar said from Ahmedabad.

BoK chief sees modest economic growth

AFP, *Seoul*

South Korea's central bank chief on Thursday said the country's economy would grow at least 6.1 per cent in 2002 despite concerns over a US slowdown.

The figure was lower than the 6.5 per cent predicted by the central Bank of Korea (BoK) in July.

"Our economy is expected to achieve 6.1 per cent growth" even if the US growth rate slows to 1.0 per cent in the second half, BoK governor Park Seung said.

He said increased trade with China would offset possible falls in exports to the United States and Japan.

"Even if the US and Japanese economies remain in a difficult situation, exports and investment towards China will pick up, helping the real economy suffer no major troubles," he said.

Park also forecast a current account surplus of 4.0 billion dollars in 2002.

Recent sharp rises in home and real estate prices and a possible turn to a deficit in the current account next year are major concerns that might hurt the soundness of the economy, he said.

"Soaring real estate prices and a deteriorating current account are two factors distorting the economy," he said.

Japan Softbank sells part of a stake in Yahoo

AFP, *Tokyo*

Major Japanese Internet investor Softbank Corp said Thursday it has sold part of a stake in US Internet giant Yahoo Inc to bolster its finances and invest in its broadband business.

Softbank's subsidiary Softbank America Inc. (SBA) sold 30 million shares in Yahoo for about 270 million dollars, the Japanese parent said.

"With the sales, (SBA's) share in Yahoo will change from about 14 per centto about nine percent," Softbank said.

The loss-making firm said it would use the funds to strengthen its financial health by reducing interest bearing debts while expanding key operations such as its broadband arm.

"We really want to concentrate on the broadband business," said Softbank spokesman Koji Hayashi.

"We will invest mainly in the infrastructure, such as machines," he said, adding Softbank had confidence in this area of technology because demand was high due to the convenience of broadband and its relatively low cost.

Softbank was keen to stabilise its financial health, Hayashi added.

"The world economy is not so good so we want to sustain our financial circumstances," he said.

Moody's cuts ratings on 4 Japan machinery makers

AFP, *Tokyo*

Moody's Investors Service on Thursday sliced ratings on four top Japanese heavy machinery firms, warning the weak economy and severe competition might further crush earnings.

Industry leader Mitsubishi Heavy Industries Ltd.'s (MHI) long-term debt rating was slashed to Baa1 from A2, while rival Ishikawajima-Harima Heavy Industries Co. Ltd.'s (IHI) was downgraded to Baa3 from Baa2.

Kawasaki Heavy Industry Ltd.'s (KH) long term debt was lowered to Baa3 from Baa2 and the senior unsecured long-term debt rating of rival Hitachi Zosen Corp. was downgraded to Ba3 from Ba1. The outlook for all four was stable.

"The downgrade reflects Moody's expectation that ongoing weak economic conditions in the domestic market and a severe competitive environment overseas may pressure MHI's earnings and cash flow over the intermediate term," the New York-based rating agency said in a statement.

Moody's gave the same reason for the downgrade of the other three.

"As Japanese electric power companies are expected to continue sharply reducing their capital investments, Moody's believes that MHI's overall earnings are likely to face downward pressure and higher volatility," it said.

Ishikawajima was a leading producer of shipbuilding parts and aircraft engines. "However, IHI's profitability has been under pressure due to a fall in demand from domestic public sector projects and the depressed level of private sector capital investments in the domestic market," said the ratings agency.

Marconi unveils details of restructuring

AFP, *London*

Debt-laden British group Marconi spelled out Thursday the details of a long-awaited restructuring plan that will slash its debts but leave existing shareholders with just 0.5 per cent of the new business.

Creditors will receive a package of cash, new equity and new debt securities, leaving them with 99.5 per cent of the equity of the new group, Marconi Corp.

In return, Marconi's banks and bondholders will write off most of the group's net debts of about three billion pounds (4.7 billion euros, 4.6 billion dollars).

Marconi will be left with pro forma debt of around 300 million pounds after the restructuring.

The debts are a legacy of the group's aggressive expansion drive in the United States as part of efforts to transform itself from a defence and electronics group into a telecommunications equipment maker just before the sector ran into trouble.

"The financial restructuring will allow the group to emerge with a balance sheet that we believe is robust and appropriate to the size of our business," chief executive Mike Parton said.

"The level of cash and non-core assets retained by the group allows us to withstand a prolonged market downturn.

"The agreed debt structure, combining a mix of cash-pay and pay in kind instruments, gives us a stable and flexible balance sheet," he said in a statement.

The restructuring is targeted to be completed by January.

North Korea reform to widen rich-poor divide

AFP, *Pyongyang*

The drab routine of daily life in this bastion of Stalinism appears so far unaffected by economic reforms introduced recently, but observers warn the first step towards relaxing the command economy will only widen the gap between the rich and poor.

The communist state devalued its currency in early August, slashing the value of the won to 150 against the dollar from a theoretical rate of 2.15, according to North Korean government officials.

The devaluation, together with the partial abolition of rationing, is seen by foreign diplomats and analysts as part of landmark, market-based reforms aimed at breathing life into the moribund state-planned economy.

Wages, fixed for decades, surged more than 20-fold this month in line with the reform, but prices at shops also shot up in proportion.

At the capital's Ok Lyu Guan restaurant, the price of a bowl of what is reputed to be the nation's best cold "ryong myong" noodles rose to between 150 and 230 won from 15 won last month.

The wide range of food, clothes and electronics at the well-stocked Dae Song Department Store in suburban Pyongyang were all newly tagged with the marked-up prices, but the dimly lit, steamy store was quiet, even at the weekend.

Sales assistants outnumbered customers on some floors, where a 36-exposure Kodak camera film sells for 555 won (3.70 dollars), a compact disc of Korean music costs 1,228 won (8.18 dollars), and a 350 millilitre (11 ounce) can of Japanese Asahi beer is 150 won (one dollar).

Experts on the Korean peninsula warned North Korean leader Kim Jong-Il seemed to be embarking on a high-risk strategy to salvage the troubled economy.

"It is good for North Korea to introduce the market-oriented system, which sets prices according to supply and demand, not the government," said a South Korean source who has visited the north a number of times.