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CSE eyes redefining bourse ownership

Move to ensure stronger management, transparent market

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The Chittagong Stock Exchange (CSE) is actively considering demutualising the stock exchange to empower its management and make it independent.

The demutualisation concept suggests separation of members or brokers from stock exchange ownership. It is widely practised in developed markets.

Sources said the CSE is now assessing the concept that would allow its management to operate professionally and exercise its full authority over brokers.

In the existing set up, the shareholders of the exchanges are engaged in the stock trading business. They act as brokers and dealers in the markets in Bangladesh.

These members sit in the policymaking council of the exchanges and the management is accountable to the council of members.

A senior official of the CSE said the Asian Development Bank (ADB) is ready to assist them in transforming from the present structure.

"We are now examining the system, but it has not taken a final shape yet," he added.

The stock exchanges in Bangladesh are now non-profit organisations. But the new concept will make CSE a profit making enterprise where the owners will invest for return.

Demutualisation is the conversion of a 'not-for-profit entity' into a 'for-profit entity' owned by its shareholders, according to a top official of CSE.

If the concept is adopted, the members of the CSE will sell off their ownership and they will be paid on the basis of the valuation of the exchange's assets.

The exchange will issue trade licence at a lower cost that will see increase in the number of brokers. At present, the bourse in Chittagong has 129 members.

The new structure will also ensure running of brokerage houses professionally under the supervision of an efficient management, the officials of the bourse said.

The system is practised in many stock exchanges, including London and Singapore. All the Indian exchanges will transform into demutualised form within 2003.

Bank Asia, IIDFC sign loan deal

A countervailing loan agreement of Tk 50 million has been signed between Bank Asia Limited and Industrial and Infrastructure Development Finance Company Limited (IIDFC) for lease financing.

Under the deal, Bank Asia invested Tk 50 million in zero coupon bonds, a new product issued by IIDFC for the first time in Bangladesh, says a press release.

Syed Anisul Huq, president and managing director of Bank Asia, and AKM Nozmul Haque, managing director of IIDFC, signed the agreement on behalf of their sides.

Erfanuddin Ahmed, senior executive vice-president and head of operations of Bank Asia, and other executives of both the companies were present at the signing ceremony.

Tofail on collapse of Cancun talks

Dhaka should also continue bilateral trade negotiations

UNB, *Dhaka*

Former commerce minister Tofail Ahmed felt apart from keeping track with multilateral trade negotiations, which presently ran out of steam, Bangladesh must continue bilateral parleys to get trade benefits.

Bilateral talks have worked and many countries already have offered preferred market access, he said, referring to continuity of similar trade policies pursued by two corresponding governments.

At the same time, Bangladesh, being the leader of 49 least developed countries (LDCs), must also play its due role in the multilateral trade forums, Tofail said, giving his views on the collapse of the 5th WTO Ministerial in the Mexican city of Cancun.

He said world trade talks are bound to collapse so long as rich nations would continue to evade their own commitment to give special and differential (S&D) treatment to LDC products.

"S&D tops the LDCs' agenda and there can't be any compromise, because it's the commitment of the rich," said Tofail, who had coordinated the LDC causes at the 1st ministerial in Singapore in 1996.

He cited how rich nations' rigidity led to collapse of subsequent WTO ministerial meets.

It is now a proven fact that developed nations reaped their benefits out of the existing rule-based trade regime as most of the LDCs accepted it blindly, without knowing its impact.

"It's a matter of great relief that LDCs, though of late, have come to senses and realised well the adversities. They (LDCs) should stick to their stand," said the ex-commerce minister.

Repo auction

UNB, *Dhaka*

The reverse Repo auction of Bangladesh Bank (BB) for commercial banks and financial institutions was held here yesterday.

Two bids of one-day tenor amounting to Tk 60 crore were received and that were accepted.

The rate of interest against the accepted bids was 2.50 percent per annum, a BB press release said.

Former Soviet republics meet to create free-trade zone

AFP, *Kiev*

Leaders of 11 former Soviet republics grouped as the Commonwealth of Independent States (CIS) face two days of heated debate at a summit starting on Thursday in Kiev as they bid to forge a free-exchange zone.

Their efforts will be complicated by a controversial initiative by four of the largest CIS members -- Russia, Ukraine, Kazakhstan and Belarus -- aimed at forming a separate economic union.

Heads of state and foreign ministers of these countries, together with those of Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan, agreed to create a free-trade zone at an informal meeting in Saint Petersburg last May and are expected to sign it into existence on Friday.

The 12th CIS member Turkmenistan has shunned the initiative (the CIS comprises the 15 republics that constituted the defunct Soviet Union minus the three Baltic states of Estonia, Latvia and Lithuania).

Deputy United Nations Secretary General Antonio Maria Costa has been invited to attend debates on Thursday, the Ukrainian foreign ministry said.

Presidents Vladimir Putin of Russia, Leonid Kuchma (Ukraine), Nursultan Nazarbayev (Kazakhstan) and Alexander Lukashenko (Belarus) may stand aside from the main business to sign a separate accord on creating a common economic space.

Tk 1,850cr scheme for rural infrastructure

WB to bear 73pc project cost

STAR BUSINESS REPORT

Aiming to develop rural infrastructure in 21 districts, the Ministry of Local Government, Rural Development (LGRD) and Co-operatives has undertaken a massive project involving Tk 1,850 crore.

Of the total project cost, 73 per cent will be borne by the World Bank (WB) while Bangladesh government will provide the rest. The ministry has targeted to complete the project by June 2008.

Under the project, some 1400 km upazila roads, 600 km union roads and 260 growth centre markets will be constructed in 21 districts under Dhaka, Chittagong, Rajshahi and Sylhet divisions.

This was informed by LGRD Minister Abdul Mannan Bhuiyan at the project launching workshop titled "Rural Development Project: Infrastructure Development: 26 (RTIP)" in Dhaka yesterday.

State Minister for LGRD Ziaul Haque Zia, World Bank Country Director in Dhaka Christine I Wallich and Local Government Division Secretary AYBI Siddiqi also spoke in the function.

Mannan Bhuiyan said the project covering greater Dhaka, Rajshahi, Bogra, Pabna, Sylhet, Comilla, Noakhali and Chittagong districts has been undertaken to eradicate rural poverty and develop infrastructure.

"The project is something different than those implemented earlier," he said adding, "Opinions of the local people will be taken into consideration while selecting, monitoring and implementing the schemes."

He said the project would accelerate socioeconomic development and employment generation. "Bangladesh will become a middle income country within the next decade through these development efforts."

Christine I Wallich said under the project extensive training will be imparted to chairmen and members of the union parishad on their role and responsibilities towards development of their localities.

The overall capacity of the Local Government Engineering Department (LGED) and local government institutions will be strengthened through the project, she added.

LGED Chief Engineer Shahidul Hasan also spoke at the function.

PHOTO: LGED

LGRD and Co-operatives Minister Abdul Mannan Bhuiyan speaks at a project launching workshop titled "Rural Development Project: Infrastructure Development: 26 (RTIP)" in Dhaka yesterday.

ADB accused of lacking vision, direction

AFP, *Manila*

A former British director of the Asian Development Bank (ADB) has lashed out at the bank for allegedly lacking "clear vision and strong direction," the Financial Times reported Wednesday.

Frank Black, a British government appointee who represented the United Kingdom, Germany, Austria and Turkey on the ADB's board until earlier this year, accused the bank of having an over-centralised structure which he said interfered with the delivery of development funding in the region, the British financial newspaper said.

The newspaper sourced Black's comments to a leaked internal paper he had submitted when he left the Manila-based bank in June this year.

Black wrote that the ADB's current "constraints" called into question the need for regional development banks and undermined its ability to deliver technical assistance in Asia, the Financial Times reported.

$5 lakh ADB aid for Ctg port efficiency study

UNB, *Dhaka*

Asian Development Bank (ADB) has approved a technical assistance (TA) grant of US$ 500,000 (5 lakh) to prepare a project to improve the efficiency of Chittagong Port.

The grant is from the Japan Special Fund, financed by the government of Japan, said an ADB news release.

The total cost of the TA is US$ 625,000 of which the government will provide $125,000 equivalent. The assistance is expected to be carried out over about four months, ending in January 2004.

The proposed project will cover improved work practices, use of computerisation to improve efficiency and reduce costs for port users, infrastructure improvements and institutional strengthening of Chittagong Port Authority (CPA), which administers the port.

The TA will design more efficient customs, ship berthing and container clearance procedures, simplify documentation and provide a better interface between customs operations and CPA, the body responsible for berthing of ships, loading and unloading of cargo, and storage of cargo within the port.

The assistance will also recommend physical improvements such as container yards and freight stations, circulation roads and buildings to complement the new work practice.

Cargo handled by the port has grown by an average of 10 per cent per year since the mid-90s while container traffic has grown by an average annual rate of 12.5 percent.

However, operational efficiency remains low, with container productivity less than one third that of the best ports. Waiting time for ships berthed at the port has tripled from 1996 to 2002 to average 2.25 days.

"As Chittagong handles more than 80 percent of Bangladesh's total seaborne trade, its low efficiency levels are imposing a high cost on trade competitiveness," said Prodyut Dutt, an ADB Transport Specialist.

Maritime transport accounts for 14 percent of the cost of Bangladesh's textiles exports to the US compared with less than 8 percent for the competition such as China, India and Thailand.

"Bangladesh's garment exports could earn 30 percent more if port inefficiencies were removed," said Dutt.

The TA will build on the recommendations of earlier ADB assistance to address environmental issues connected with the port, including oil spill impact and response management, control of pollution from shore-based sources and handling of hazardous material.

It will recommend actions for CPA to comply with international marine pollution standards when they are ratified by the government.

India to prepay $2.9b in foreign loans

AFP, *New Delhi*

India will pay in advance 2.9 billion dollars in costly foreign loans in the current fiscal year by raising money from the domestic market, an official said Wednesday.

D. Swarup, additional secretary in the finance ministry, told reporters 1.4 billion dollars would be paid to multilateral agencies such as the World Bank and the rest to individual countries' institutions.

He added more foreign loans that carry high costs could be retired this fiscal year.

The Indian government has been trying to reduce its borrowings in the face of a soaring fiscal deficit which has been weighing on the country's economic growth.

Swarup said he was confident the government would meet its target of keeping the fiscal deficit at 5.65 per cent of gross domestic product or below in the financial year ending March 2004.

Dhaka urges Seoul to recruit workers

STAR BUSINESS REPORT

Foreign Minister M Morshed Khan yesterday requested South Korea to recruit more workers from Bangladesh to reduce the huge trade gap between the two countries, tilted against Dhaka.

The request was made when the visiting Korean Vice-minister for Foreign Affairs and Trade Kim Jae-sup called on him at his office.

They discussed bilateral and trade-related issues.

Bangladesh imports goods worth around US$500 million a year from South Korea and its exports are worth less than $50 million.

"As we cannot reduce the trade gap through export, we need more employment of our people in that country," Morshed Khan told a group of journalists after the meeting.

The Korean minister said they recently passed a law to legalise illegal foreign workers. Under the new law, all illegal workers staying in his country for less than four years will be permitted to stay on and others will be deported very soon, he mentioned.

Korea plans to legalise around 2.27 lakh illegal foreign workers and hire fresh ones for meeting the shortage of workers in mills and factories.

Meanwhile, the foreign ministry hosted a dinner in honour of the Korean minister last night. Ministers, diplomats, high civil and military officials attended the dinner at Hotel Sheraton.

Kim Jae-sup will meet Mohammad Quamrul Islam, state minister for expatriate welfare and overseas employment, tomorrow morning.

They will discuss the possibility of signing a memorandum of understanding for sending more workers from Bangladesh and legalising those staying in South Korea without valid documents.

Around 30,000 Bangladeshis are now in that country and two thirds of them do not have required papers.

New country manager of Woori Bank

Hwan Bok Kang has recently joined Woori Bank, Dhaka Branch, as general manager and country manager in Bangladesh.

Prior to his joining as the chief of Woori Bank, Dhaka he had been the deputy chief in PT Bank Woori Indonesia, says a press release.

Kang started his banking career in 1986 in Hanil Bank, Seoul. He also worked in senior management position for three years in Bangladesh since the inception of Woori Bank, Dhaka Branch (formerly Hanil Bank) in 1996.

News Analysis

Indian politicians divided over divestment of oil majors

PALLAB BHATTACHARYA, *New Delhi*

Whither India's privatisation programme? That is the question going the rounds afresh in trade and political circles, a day after the Supreme Court put on hold disinvestment of two state-owned oil majors -- Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL).

Disinvestment (Privatisation) Minister Arun Shourie was categorical in holding that the apex court ruling has given setback to privatisation drive while the opposition parties, including Congress and the Left, and trade unions were euphoric, saying the ruling has vindicated their stand on the key economic issue.

The reaction to the court order once again brought to fore the deep divisions within BJP and its fraternal organisations not only over privatisation of the two oil companies but also economic reforms of the government of Prime Minister Atal Behari Vajpayee.

The newly-found fledgling zeal of some governments in the states, including Left Front-ruled West Bengal, may also be dampened after the Supreme Court order on HPCL and BPCL, sources in industry and government say.

While it may not exactly be the fact that the court ruling has blown the whistle to halt divestment of public sector undertakings, trade and industry analysts and champions of reforms within the government are worried over its impact on the government's revenue collection and efforts to narrow fiscal deficit.

It also puts a question mark on the plan to sell some other state-owned industries like carmaker Maruity Udyog Limited and National Textile Corporation mills.

Supporters of reforms in the government say the pace of divestment may slow down considerably, if not come to a halt, after the apex court order on offloading government equities in the two oil companies.

What is more worrisome for the finance ministry is that a drought in earning through divestment in the remaining nearly one-year tenure of the government may weaken its attempt to improve the fiscal health.

The government has set a target of Rs 13,200 crore from divestment, more than half of the amount through privatisation of HPCL and BPCL, in the current fiscal year which ends in March next year.

So far, however, the government has earned just Rs 993 crore this fiscal through divestment. The question now is whether the government will be able to achieve the target of fiscal deficit of 5.6 per cent of the GDP in financial year 2003-04.

In real terms, the government's fiscal deficit in current financial year is pegged at Rs 1,53,637 crore as against Rs 1,45, 467 crore in 2002-03.

In the last fiscal year too, the government's actual earning through privatisation fell well below the targeted amount of Rs 12,000 crore. It was in fact Rs 3,360 crore.

The opposition parties' reaction to yesterday's ruling of the Supreme Court has clearly signalled that they are going to try to put the government on the mat in and out of Parliament on the issue of privatisation.

Votaries of reforms contend that the apex court's directive that parliamentary approval be secured for divestment of HPCL and BPCL would put the government in quandary, given the arithmetic in both houses of Parliament.

Apart from the opposition parties, a number of constituents of Vajpayee-led coalition government are not keen on privatisation, especially when fresh general elections are just a year away, and risk other hard economic decisions forsaking populism.

'China must hasten WTO obligations'

AFP, *Shanghai*

China needs to accelerate the opening of its economy to offset increasing trade tensions with the United States, former US trade representative Charlene Barshefsky said here Wednesday.

"The country has to take action if it wants to maintain positive relations with the US," warned Barshefsky, who led US negotiations in China's WTO accession in late 2001.

"It is important for China to fully implement all its WTO obligations, and the leadership should think about accelerating some," she said at the ongoing 2003 Forbes Global CEO Conference in Shanghai.

Barshefsky, now a senior international partner at law firm Wilmer, Cutler and Pickering, highlighted the bloated banking sector as China's top priority for reform.

Stuart Gulliver, chief executive of Corporate, Investment Banking and Markets at HSBC, agreed there needed to be further reform but it was "absolutely understood and absolutely seen by (China's) policy makers."

Law disputes to slow US farm funding bill

REUTERS, *Washington*

The US Senate may not debate a $77.5 billion annual agriculture funding bill if it is to be a vehicle for attacking the farm programme, the chairman of the Appropriations Committee told Reuters on Tuesday.

Chairman Ted Stevens, an Alaska Republican, did not specify issues that would imperil action on the bill. However, two challenges to US farm policy have emerged in recent weeks and become linked to the agriculture bill.

The House of Representatives has voted to block implementation of country-of-origin labels on meat, due to become mandatory on Sept. 30, 2004 under a provision in the 2002 farm law.

Farm and consumer groups say the labels will distinguish US-grown meat from competitors at the grocery store, while foodmakers say the law is too costly and a record-keeping nightmare.

Also, Republican Sen. Charles Grassley of Iowa says he wants to cut the farm law's limit on subsidy payments of $360,000 a year to help smaller farmers. At present, 71 per cent of farm subsidies go to 10 per cent of American growers.

"Problem is, the farm bill itself may be revisited," Stevens said in a brief interview when asked when the agriculture funding bill would reach the floor.

"If it is, we ought not go forward with that."

Lobbyists suggested agriculture funding may be rolled into a catch-all appropriations bill that would surface in October to wrap up the congressional session.

Pak consumer lending boom heralds bank risks

REUTERS, *Karachi*

With bags full of cash sitting idly in vaults and one per cent annual returns on six month government paper, Pakistan's bankers are for the first time focusing on consumer lending.

From home loans up to 7.5 million rupees ($130,000) to microwave ovens of 6,000 rupees ($100), banks are falling over each other to offer customers credit.

Take businessman Hameed Khawaja, who just bought a 12 million rupees ($200,000) house in Islamabad's upmarket F-7 sector with a loan from Dutch bank ABN AMRO. He pays about 42,000 rupees a month on the three million rupees loan.