

Inadequate fiscal incentive major hindrance to capital market

By Staff Correspondent

Inadequate fiscal incentive is the major hindrance to the development of the country's capital market.

This was stated by the speakers at a seminar on money and capital market in Bangladesh held at the Bangladesh Institute to Bank Management (BIBM) in the city yesterday.

The seminar was inaugurated by the chairman of the securities and exchange commission (SEC) Sultan-uz Zaman Khan as chief guest. Organised by BIBM its Director-General AHM Nurul Islam Chowdhury presided over the inaugural session.

The speakers identified the absence of transparency in accounts and reports as reason

for obstacle to the development of capital market.

The seminar, participated by bankers, economists and academicians also identified low savings and investment rates, lack of institutional development and poor supply of securities as the other obstacles to boosting the emerging share market of the country.

Addressing the seminar, Khan, who also presented a paper, said there is a shortage of supply of attractive shares in the market, although to attract potential investors, quality scrips need to be offered. Out of an estimated 2500 to 3000 public companies, only some 160 companies are listed with the Dhaka Stock Exchange

(DSE). Khan said, describing it as 'dismal'.

He also said the SEC has been contacting the relevant public companies to ascertain the cause for not going for public issues. Through publication and offering fiscal incentives, they could hopefully be induced to enlist the participation of public shareholders, he added.

The SEC Chairman also suggested privatisation of telecommunication, oil, gas, energy, railway and aviation sectors, off-loading of government shares in multinationals and introduction of new instruments to meet the demand of new securities.

He also stressed the need for improving the auditing and

accounting standard and strict application of the audit rules for creating confidence among the investors.

Prof Abu Ahmed of Economics Department of Dhaka University, Faruquddin Ahmed of Bangladesh Bank, AHM Nurul Islam Chowdhury, Dr Toufik Ahmed Chowdhury, Sujit R Saha, Abu Bakar, Dr MN Sircar and Nilima Rani Paul presented four other papers at the seminar.

Prof Rahim B Talukder of the Institute of Business Administration (IBA) and Abdur Raquib, Executive Director of Bangladesh Bank, took part in the discussion on the papers beside other participants from the audience.



A two-day 'Jatra show' was held November 25-26 at Dhaka Sheraton as part of the current Tourism Month '94. Sponsored by United Airlines, the first of its kind event at any international hotel was inaugurated Friday by Foreign Minister A S M Mustafizur Rahman. Shipping Minister M K Anwar, State Minister for Civil Aviation and Tourism Abdul Mannan and other dignitaries are seen with the Chairman and directors of the GSA.

Move to ban advertising in Russia Western cigarette manufacturers draw up code of practice

MOSCOW, Nov 27: Major Western cigarette manufacturers who fear a blanket ban on advertising in the gigantic Russian market have drawn up a code of practice to avert that threat, reports AFP.

After six months of committee discussions, parliament is due to consider a draft bill on advertising before the end of the year.

The toughest version of the proposed legislation, which apparently has widespread support, would completely outlaw advertising for tobacco and alcohol in a country where more than 60 per cent of men and 40 per cent of women are smokers.

Cigarette Czar Philip Morris, R J Reynolds, Rothmans, British American tobacco and the German group Reemtsma, who sell more than 90 per cent of foreign-made cigarettes in Russia, have branded the draft as unnecessary and ineffectual.

But they have also agreed as from next January to drop television advertising before 10 p.m. to keep advertising hoardings at least 100 metres (yards) from schools, and to stay out of publications aimed at under-18s.

Philip Morris spokesman Andrew White said there this week that banning advertising was no way to fix the problem. The manufacturers knew how to regulate themselves, as they had already done in the United States, Britain and Germany, he said.

"I hope that the voice of reason will prevail here too."

The stakes for the tobacco companies are clear, as they prepare to invest in local factories after getting into the market four years ago. Russians smoke some 150 billion cigarettes a year, making Russia the world's fourth largest market after China, the United States and the countries of the European Union.

time of President Zia-ur Rahman. At that time, we divested hundreds of such units and started opening up industry to private investors. The autocratic government that succeeded us continued doing this. And when we came in for the second time, we took the process further. We have divested around 25 enterprises so far.

But public sector divestment is tough to do in a country with large unemployment and substantial poverty: 40 per cent of our people are at the margin of poverty, with few alternative job opportunities. We have to see the reality of our society and provide for adequate safety nets. Disinvestment cannot be done carelessly; it has to be done carefully.

Q. You said in the seminar that public enterprises being sold are "undervalued assets". Why are they undervalued?

A. Because the assets are valued on a historical basis.

Q. Why don't you value them correctly?

A. We are doing that, but even then they are undervalued. Look at our stock market. Shares that were originally quoted at 100 are now going for 600-700 after foreign investors have gone in. In any economy in which there is a shortage of capital, invariably, a so-called realistic valuation of assets means there won't be many takers — not because the assets are intrinsically valueless but because there is a shortage of purchasing power. So this is the time when the value of land and factories in Bangladesh's public sector is at a rock-bottom level, because of

Mahmud distributes prizes among Nespray dealers in Sylhet

From Staff Correspondent

SYLHET, Nov 27: The prize distribution of display contest of Nespray dealers in Sylhet was held at a local hotel on Friday night.

A S Mahmud, Director of Nestle Bangladesh, attended the function as chief guest. Mamunur Rashid Chaudhury, Area Manager of Transcom, Sylhet, presided over it.

The function which was attended by a good number of dealers from the district was addressed by Saadat Waiz, Manager of Transcom Limited.

In his speech, the chief guest said Nestle, the world's biggest food processing company, will continue to render its services to the customers.

Later Mahmud gave away prizes among the winners of the contest.

The first prize, return air ticket for Dhaka-Kathmandu-Delhi, was won by Manir and Sons, the second prize, return air ticket for Dhaka-Kathmandu, was won by two winners and the third prize by two persons. Some other prizes were won by a number of dealers.

ICB approves 7 pc dividend for '93-'94

The 18th annual general meeting of the shareholders of Investment Corporation of Bangladesh (ICB) was held at the head office of the organisation with Sardar Sakawat Hussain Bakul, MP, Chairman of the Board of Directors of the Corporation in the chair, says a press release.

The shareholders approved a dividend of seven per cent for the fiscal year 1993-94 out of net profit of Tk 2.86 crore. The net profit for the current year was 61 per cent higher than that of the previous year. In 1992-93 the net profit was 1.77 crore.

During 1993-94 the corporation approved financial assistance of Tk 19.53 crore as against Tk 2.10 crore in 1992-93.

Bumper rice in Pakistan

ISLAMABAD, Nov 27: Growers in Punjab province reaped a bumper crop of rice provisionally estimated at 3.99 million tonnes in 1993-94, which is 28.1 per cent more as compared to the preceding season's harvest of 3.12 million tonnes, reports APP.

This exceeded the target of 3.38 million tonnes set for the year by 18.0 per cent.

The production of basmati (a fine quality of rice) crop showed an increase of 10.5 per cent raising output from 1.10 tonnes in 1992-93 to 1.22 million tonnes in 1993-94. In the same period other varieties recorded a rise of 37.6 per cent from 2.02 million tonnes to 2.77 million tonnes.



A S Mahmud, Director of Transcom Limited and Nestle Bangladesh, seen distributing prizes among the winners of Nespray display contest at a hotel in Sylhet on Friday night.

Schiphol offers you the best comfort

By Asiuazzaman, back from Amsterdam, Holland

You will not believe it unless you see it. This was the comment about Schiphol airport by one of the members of 12-member local media team before departure from Dhaka for Amsterdam on November 17.

His comment came true just a day after when the team, along with this correspondent, was around the sprawling Schiphol airport, claimed by the Dutch people as the gateway to Europe.

One can play golf at the mezzanine floor or even can offer prayers at the upper floor, whatever religion or faith you have, at the Schiphol airport located close to the main city of Amsterdam in the Netherlands. One can even sunbathe in the solarium at the upper floor.

These are just the three unique examples the airport offers for its passengers. At the indoor golf centre, the score is counted with simulators and swing analysers. The airport staffs are waiting with golf equipment, which are also sold duty free. The two designated places of worship are for the passengers of all faith, including the Muslims.

The airport, one of the biggest and busiest in the world, also offers for its passengers the baby care rooms, baggage lockers, bars, business

centre, mini children's park, coffee bars, fitness centre, group meeting room, inside custom hotel, post office, shopping centres and shower facilities. Schiphol also offers segregated cabins and changing rooms, first aid, fax machines and special counselling for the passengers who are not at all aware of the airport formalities and travelling procedures.

There will be a casino in the airport lounge from the spring next year.

On an average 600 to 700 aircraft land and take-off everyday but you will never notice any rush of passengers possibly because of its large size and modern planning.

"It takes 10 to 15 minutes to check out from Schiphol," said one of the KLM official who showed the Bangladeshi media team around the airport.

The airport handled over 21 million passengers in 1993 of which more than 80 per cent were in transit. By the year 2015, the airport will have the capacity of handling 50 million passengers as a multi-million guilder (Dutch currency) expansion programme is on.

A total of 95 airlines are now operating in the airport which has the world's highest control tower (101.77m). Interestingly, the airport is located 14m below the sea level, said the KLM official.

To facilitate the passengers and other visitors, the airport authorities are constructing an underground super-market in front of the terminal building. The turfed dome of the underground market would add an additional beauty to the airport.

Schiphol has direct air-link with three major airports, in the World — Frankfurt (Germany), Heathrow (London) and John F Kennedy (New York). Its transportation system with Amsterdam and other major European cities is very convenient and prompt. All these factors made Schiphol the mainport in Europe for which the Dutchmen should be proud of.

KLM has the highest contribution in building Schiphol into a top grade airport in the world. KLM is one of the three handling agents in the airport which alone handles 50 airlines including Bangladesh Biman. The two other handling agents are Aeroground and Oden Aviation.

KLM started operation in Dhaka from October 31 and the five-day visit of the Bangladeshi media team was aimed at exchanging views and information about aviation system of the two countries.



The indoor Golf course at the Schiphol Airport, Amsterdam.

— Star photo

Experts say Bhola has prospects for shrimp cultivation

BHOLA, Nov 27: A vast coastal area of the district can be brought under intensive shrimp cultivation and government can earn foreign currency of about Taka 184 crore every year, experts said, reports UNB.

According to experts, about 17,000 acres of coastal land are quite fit for shrimp cultivation. But in the absence of government patronisation the vast potential cannot be explored in the area.

They said every year shrimp fry worth about Taka 10 crore are being sent to Khulna and Bagerhat shrimp enclosures from Charfassion area.

They also said a decision was taken to distribute the land of char Kukrimukri of Charfassion thana among the interested shrimp farmers for cultivation of shrimp with easy terms and conditions. But the Forest Department took possession of the land for afforestation.

Bangladesh presses on with reforms to draw investors

(The following article, based on an interview with Finance Minister M Saifur Rahman, was published in the Business Times of Singapore on November 25. A foreword to the interview quotes Anne O Krueger, former head of research at the World Bank, as saying that Bangladesh may surprise everyone as the next 'come from nowhere' success. The Finance Minister was interviewed during his recent visit to Singapore by Vikram Khanna.)

Q. Why should an investor go to Bangladesh as opposed to India or Pakistan or China or Indochina?

A. Because the incentive package for investment is much better in Bangladesh. We have an open market economy and a liberal trade system and have abolished licences and controls. There are no barriers to foreign direct investment, either in equity participation—foreigners can hold 100 per cent shares—or in the repatriation of capital, profits or dividends. We are a member of the International Centre for the Settlement of Investment Disputes. We are a signatory of the Multilateral Investment Guarantee Agency of the World Bank. We have also passed legislation to protect the interests of foreign investors.

Q. You mentioned in the seminar on investment opportunities in Bangladesh that a major current focus of your reforms is the divestment of public sector enterprises. How well is this working?

A. We started divestment of public sector units as far back as the late 1970s, when we were first in power (at the

time of President Zia-ur Rahman). At that time, we divested hundreds of such units and started opening up industry to private investors. The autocratic government that succeeded us continued doing this. And when we came in for the second time, we took the process further. We have divested around 25 enterprises so far.

But public sector divestment is tough to do in a country with large unemployment and substantial poverty: 40 per cent of our people are at the margin of poverty, with few alternative job opportunities. We have to see the reality of our society and provide for adequate safety nets. Disinvestment cannot be done carelessly; it has to be done carefully.

Q. You said in the seminar that public enterprises being sold are "undervalued assets". Why are they undervalued?

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the lack of takers. This is a good time for foreign investors to take over those factories.

Q. Bangladeshi officials suggest that foreign investors have no problems with labour in Bangladesh. How come?

A. Bangladeshi workers are not inherently militant. They are good workers. But owners and managers in Bangladesh are often archaic. They are not very modern-minded. They are not enlightened. They want to take everything for themselves. The whole concept of sharing with labour is not as much-part of the culture as it is in a mature capitalist society.



M Saifur Rahman are good workers. But owners and managers in Bangladesh are often archaic. They are not very modern-minded. They are not enlightened. They want to take everything for themselves. The whole concept of sharing with labour is not as much-part of the culture as it is in a mature capitalist society.

When foreign enterprises set up in Bangladesh, they follow a more mature culture. They do not deny workers their legitimate pay. I am not aware of a single foreign company that has complained about Bangladeshi workers. And workers also like working for foreign firms because they bring in enlightened management and wage policies, and

better production methods.

Q. How widespread is the support for the economic liberalisation within Bangladesh? What vested interests are opposed to these reforms?

A. There has been opposition to the reforms among every spectrum of the population. Reform, you know, is more difficult than revolution. Reform means changing people's attitudes, changing the whole culture of doing business.

Even industrialists, who stand to benefit from reforms, opposed the reforms in the early stages. They wanted protected markets. Civil servants opposed the reforms because they had a lot of power in the days of licensing and controls and could distribute favours. Politicians have been opposed to liberalisation, because they thought it would mean losses of jobs, and that exposure to foreign competition would mean subordinating the national interest to foreign industrial powers. There are even opponents in the cabinet.

Q. In the face of such resistance, how confident are you of pushing the reforms through?

A. I think what we have pushed through is already quite substantial. We have pushed through more reforms than India or Pakistan or many other countries. But it is a continuous struggle to modernise an economy, especially in the Indian subcontinent, which has the legacy of the British system. Over the two hundred years they were in the subcontinent, the British brainwashed people into being status-quo minded.

Q. You have said that Bangladesh has an image problem as a country of floods and cyclones and of too little land and too many people. Isn't this more a reality than an image? And what is your government doing to be better able to cope with natural disasters?

A. No, it's more image than reality. We have a bad image because of bad publicity. Also, at times in the past, our politicians deliberately did not project a good image. They emphasised the country's bad image in order to get more foreign assistance.

Now we have an elected government that is answerable to the people and with a commitment to transparency. We tell the facts about natural disasters and the destruction they may cause. We never use them as excuses to get more foreign assistance. We also try to manage them out of our own resources. So the country's image is much better now.

Yes, we have floods and cyclones. But they can be managed. If there is a proper early warning system, floods do not cause as much damage as is often made out. Over the last 20 years, we have built up such early warning systems. We have also built roads, communication facilities and shelter, so that people can now be more easily rescued.

It's true that Bangladesh has a small land area — it is much smaller than even Thailand — and has a population of about 120 million. But we are self sufficient in food. The very fact that we are able to feed 120 million people should itself be a miracle to

outsiders. Tell me, which other country with the same area is able to feed 120 million people?

Q. You have achieved macro economic stability, you have removed domestic controls, opened up your trade and investment regimes, and you are selling off your public sector. Where do you go from here and how far do you think there is to go?

A. There is still much more to do. We are just a little beyond mid-stream. We cannot turn back. The losses being incurred by state-owned enterprises have to be stopped — this is an unfinished task. The bureaucracy is still suffocating and archaic. It is not innovative or enterprising enough, and not yet up to the task of managing a modern economic system. It needs to be reformed. The legal system is not in tune with the requirements of the modern economy. Laws need to be changed, the mentality of the judiciary needs to be changed.

The political system must also be reoriented, because ultimately, it is the quality of governance that will decide the progress of Bangladesh. Unfortunately in the past, Bangladesh did not have good governance. People in power, even in my position, at times indulged more in rhetoric and more in promises than in doing good for the country. Politicians must stop being self seeking and look to the long term. They need to realise the challenges ahead of them, the challenges of feeding and housing 120 million people. They need to put people rather than politics first.

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