

MIGA's Helping Hand

It is good to know that special efforts would be made by the Multilateral Investment Guarantee Agency (MIGA), the newest affiliate of the World Bank, to promote foreign direct investment (FDI) in Bangladesh. The reason why we enthusiastically welcome a catalytic role by MIGA in boosting foreign investment here is that we are lagging far behind, specially India and Vietnam, in attracting foreign capital proportionate to the size of our economy and given also the fact that our incentives package is as good as theirs.

However, two broad factors seem to have worked against us on this score: interminable political unrest and bureaucratic tangles. This is where MIGA comes in to a large degree by offering a wide-ranging non-commercial risk coverage to private companies investing in a developing country.

Of the three types of political risks covered by MIGA two are relevant in the case of Bangladesh insofar as these can allay some fears that seem to be lodged in the minds of potential foreign investors. These relate to insurance against civil disturbances, provision for protection against physical damages to assets, coverage of business interruptions, and long-term provisions against currency convertibility and remittances risks.

Since potential investors tend to have a mental fixation about any negative image of a country, their worries have to be addressed in a well-rounded fashion. From this stand-point, the third type of insurance cover, namely, protection against government action of expropriation, does appear to be important also.

MIGA provides all these insurance coverages strictly on the basis of membership only. It has a good number of members from the developing world, 107 to-date; but only a few from the industrial countries — just 19. There is a vast scope for lengthening the list in the developed world from which largely originates the flow of FDI. The substantial membership of the Third World countries should facilitate South-South Cooperation.

MIGA, being a member of the World Bank group, is a potentially powerful agency which should come into full-play with all the clout it can master to persuade the corporate giants and newly emerging companies across the globe to come in a big way to invest in the developing countries. Investment in infrastructure-building would be most welcome to Bangladesh. For countries like ours, MIGA needs to go beyond the business-only attitude to be an effective agent for change.

A Message from Kurigram

Five women of disparate ages, in what looks like some crop field or an expanse of herbal plants or vegetables, were busy collecting something. That was the subject of a bigish picture published in The Daily Star Sunday. The caption said the picture was from Kurigram and the women were collecting arum plants or kochu to cook as food in Rajarhat thana of the district.

Kurigram is a poor area stalked for decades by hunger. It is specially disadvantaged even in the traditionally famine-prone greater Rangpur district largely because of losing its markets of potato and tobacco. That things were not always as bad as that — particularly as the picture wants to drive home — is borne by the irony of the place-name — Rajarhat, the king's shopping arcade.

There are more ironies involved in the picture. One of the best vegetables and food offering plants — a bliss, so to say, is this arum plant. Its leaves and its stalk are two of the richest suppliers of iron to man. And name anything that man needs for nutrition, this plant has it. And underground the bulbous root is a depository of tasty starch. This wonder plant grows without any care. All it needs is a damp soil, which is in so abundant supply in our land.

Still, eating kochu-ghechu is the last thing any community among the Bengalees will go for. That being a sure measure for a famine condition.

The Daily Star picture was published, no doubt, to get across a message. The message of hunger. Kochu is a very nutritious vegetable prized by all in this land. But when this has to be served sans rice, this doesn't anymore constitute a meal. And rice, till the new harvest is in in a month's time, would be rarer than gold in certain areas including Kurigram which is among the northern most reaches of this country and as such indeed very remote. Can The Daily Star picture convey the right message to far-off Dhaka?

We have often written about food hardships in the northern districts. We don't think there has been significant and helpful reaction to that. Imperviousness in such matters could prove costly, not only economically but politically too.

Ways of Man and the Beast

Shaikh Saadi was a household name even in this eastern and swampy backyard of Bengal, not to speak of the whole of central Asia where the Persian culture reigned supreme for centuries. Persian bayets, mostly from Saadi, used to be banded about in all cultured conversations till a hundred years back, no matter who the participants were, Hindus or Muslims.

As if to keep that standard flying Krishnachandra Majumdar, who lived for some time in Dhaka to edit the journal Dhaka-Prokash, published the translation of a hundred didactic pieces of Saadi by the name *Sadhab-Shatak*. That was a big step to immortalise Saadi in Bengal where with the exit of Persian as the court language his *Gulistan*, *Bustan* and *Panduaner* were fast receding into oblivion.

But most literate Bengalees of the 20th century remember Saadi through Satyendranath Dutta's translation of one piece relating to the suffering of a man bitten by a dog. His daughter at the end of a wakeful night's caring, asked him why didn't he bite the dog back. Because, the father said, that was the dog's way and not man's.

In France the other day, AFP reports, a guard minding parked cars was jailed for a month. His guilt — he bit a policeman. A number of cops accosted him suspecting he was tinkering with some of the cars. The guard said he bit one of them to prevent his dog from jumping on them. Biting man is no doubt a criminal offence — for both a man or a woman. But the guard has been able to further garble the already sufficiently muddled issue of what constitutes a man's way and what a beast's.

ON November 19, for the first time, market capitalisation of the companies listed on the Dhaka Stock Exchange peaked at one billion US dollars. As stock-market capitalisation figures go, this number offers little to brag of. The leading bourse among Asia's emerging economies, Hong Kong's market capitalisation stood at around \$300 billion in September. Malaysia coming next on the list with nearly \$230 billion. In South Asia, India's market capitalisation hovered near \$150 billion. Among the smaller bourses in this region, Pakistan has a market capitalisation of some \$7 billion and Sri Lanka \$3 billion.

Market capitalisation of a stock exchange does not draw its mead from the volume of turnover. Rather, it is the base of the market and the price at which shares are traded on a day, that matter. Broadly put, market capitalisation thus represents the aggregated market value of all the shares listed on the stock exchange. A surge in prices of even a few leading stocks — operators would fondly call these blue chips — could lift market capitalisation, and conversely, a dip could bring it down. Nonetheless, market capitalisation provides a crucial measure of the depth and buoyancy of a bourse. In short, the all share price index (could be due to the buoyancy of a few scrips only) of the Dhaka Stock Exchange surged on November 19 and its base had, by that date, broadened enough to take market capitalisation to the one billion dollar mark.

Well, the Dhaka Stock Exchange (DSE) is coming to life, it seems. There are new primary issues of shares and more companies are getting listed. Debt instruments such as convertible debentures (in effect, bonds which can later be changed for shares also have

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appeared. There are more buyers for scrips too, including foreign investors. These developments hold promises for the growth of capital market in the country. Experts say that in rudimentary financial systems, entrepreneurs usually run to the banks for raising funds for starting new ventures. This seems to have been the case with us too. Last financial year, primary issues of shares and debentures by 12 companies came to nearly 64 crore taka as against about 35 crore taka by 4 companies in the preceding year. In the current financial year, some 30 companies are floating shares and debentures. Not that many really. All the same, the fact that entrepreneurs are turning increasingly towards the market to raise equity and to borrow money could well be read as a signal that the financial system is coming out of a rudimentary stage.

Flow of foreign funds into the fledgling equity market seems to have sparked off the stirrings in the DSE in first instance. Foreign investments in the equity market thus far is being put at some \$160 million and it is forecast that the figure would touch \$250 million soon enough. Even then, it is just a thin trickle compared to the tens of billions of dollars of foreign funds that have flowed into the emerging markets in Asia. These emerging markets are also highly volatile, for the most part due to the ebb and flow of foreign funds. These are usually short-term funds, always on the move in search of higher returns.

The emerging markets in Hong Kong, Indonesia, Malaysia and the Philippines, all have witnessed extreme vola-

tility over the past two years or so. Just by way of example, foreign investors hold a large chunk of the Jakarta Stock Exchange which has a market capitalisation of some \$45 billion. In terms of gains, Jakarta topped the Southeast Asian markets in 1993, with a 125 per cent rise in index. For much of 1994, the Jakarta market has been going through a wild roller-coaster ride. Notable is a 26 per cent price dive early in the year. Foreign investors account for two-thirds of turnover. Market watchers say that the Jakarta bourse's price index takes its

course, all these talks should not be taken to imply that foreign investment in stocks is not welcome.

In mature economies, economic fundamentals play a crucial role in investment decisions relating to stocks and bonds. Foreign investments in stockmarkets in emerging economies seem to be guided more by prospects of immediate high returns. In advanced economies, a string of economic indicators, including data on gross domestic product, unemployment, factory orders, retail sales and consumer confidence, help in-

come from foreign investment. May be the foreign investors often act as the market leaders. However, that also provides pointers for the local operators. Besides, they brought much needed liquidity and initiative at a time when DSE was just treading water. The market seems to be looking forward to their increased participation. Some read in foreign portfolio investment, a sign of the outsiders' confidence in our economy. This sounds more like an assumption as of now. Compared to the surge seen by most other countries in the region, it is only in a small way that foreign portfolio investment has come here so far. Perhaps foreign investors are still sniffing the air in a new market. True, the entry and exit rules here for foreign capital are one of the most liberal in the region. Returns also are attractive but opportunities, at the same time, are limited. The real test will come if, and when, the market for stocks and bonds grows up.

To grow and keep growing, the stockmarket most of all would need the support of local investors and broadening of its base to sustain their interest. As of now, local investors have plenty of reasons to veer towards the stockmarket. Interest rates on savings accounts with banks are barely positive, those on fixed deposits keeps on getting less attractive than before. Interests on banks deposits also are fully taxable. Government savings instruments offer definitely higher returns and earnings are tax-free. However, these no longer get investment credit. Worse, money gets locked up there, these instruments are not transferable. On the other

vestors take a decision. Such data are hardly ever available readily in most emerging economies. Still, foreign investors keeps coming to the stockmarkets of emerging economies because it is profitable. On their part, emerging economies suffer from capital shortage. Foreign portfolio cash is most welcome. Market turnouts are just inevitable fallouts from the foreign investment spree. After all, stockmarkets everywhere have a built-in tendency to turn volatile, time and again. Market turbulence in East and Southeast Asia would have hurt some local investors. However, in the end the markets as entities notched up more gains than they lost.

Anyway, such stray thoughts might seem unwarranted in our situation. Only about 17 per cent of DSE's one billion dollar capitalisation would have

European Union Gets Bigger — and Looser

Derek Ingram writes from London

The European Union is soon to jump from 12 to 16 members, changing the nature of the grouping just as the political sands in its original members are shifting (Eurosummit in Essen, Germany, December 9-10). When France holds the Union presidency in the first half of next year it will elect its own new president — and no-one knows who that will be. Fulfilment of the vision of a federal Europe is a long way off.

A growing community



believe that the people are ready to accept such traumatic changes.

So open is the French political scene that the Elysee Palace next year is just as likely to be occupied by another Socialist, Jacques Delors, as by a de Gaulist such as Jacques Chirac. There could,

as now, be a left-wing president with a right-wing prime minister or (though less likely) vice versa.

Delors, who at age 69 has been President of the European Commission for the last nine years, supports a federal Europe. He could be voted into power for a seven-year term,

even though the people of France and those of the other EU members are deeply doubtful about going down the federal road.

Kohl may also want to move in that direction, but the people of the new united Germany are also less than enthusiastic.

The third big player is Britain. Many count it out, but in reality it has been, and will remain, hugely influential in pointing the EU in the direction it should take.

Britain wants a large and loosely-knit European Union, not a tight federal situation and it begins to look as if that is what most of the peoples of Europe want and what they are going to get. One day — perhaps by the year 2050 — a united, federal Europe with the real power lying in the European Parliament, could appear on the horizon. But not for now.

Meantime, John Major has had to threaten to resign and go to the country unless the House of Commons backs a rise in the British contributions to the EU by \$250 million a year until the turn of the century.

For the moment, the British Labour Party under its new leader Tony Blair is more pro-European than the government,

but if, as increasingly expected, it comes to power it will tread forward as carefully as Major on issues such as a common currency.

Divisions on European policy cut across the two main political parties, as they do among the electorate. Blair would like a referendum on the common currency. Major does not like referendums, but may yet see them as his best way out. The British may not be so opposed to the idea of a common currency as is supposed.

Since the end of the Cold War, Britain has seized on the opportunity to widen the membership of the EU. The old European Economic Community formed in 1957 without Britain was a creature of the divided continent left by World War Two. It grew very slowly from six to twelve members. Although always referred to as "Europe," it was only a part of Europe.

With the end of the Cold War, Britain saw that a larger membership would prevent the EU becoming a tight bloc and avoid what would in effect be another form of a divided Europe.

The entry of Sweden, Norway, Finland and Austria is the next stage; the admission of

hand, stocks in truth are fungible. These can be transferred or sold, even yielding capital gains. Returns are usually attractive and yields on blue chip stock are even better than savings instruments. Stocks are eligible for investment credit and dividends enjoy tax-breaks — albeit both the facilities tied to a limit, quite adequate nonetheless for small investors. It is no surprise that all new issues are oversubscribed. Ensuring safety of such investments is of crucial importance.

As it happens, seminars on problems and prospects of capital market development in the country came to be held in the city in the weeks following November 19. Foreign fund managers also paid visits. Talks everywhere stressed the urgent need for taking measures that would build up confidence of the investors in the growing stockmarket. Wide ranging suggestions were made, including better book-keeping by the DSE, improvement of its infrastructure by way of computerization, introducing central depository system, display on screens and may be, scripless trading some day. All the while, it all came back to the issue of investor confidence. Some felt that the very presence of a regulatory authority, the Securities and Exchange Commission (SEC) aids investor confidence and it is important that all the players on the field — DSE, brokers, auditors, companies and other entities — help SEC do its job.

Stocks, absolutely safe for small investors to put their money in, nary a quail, are hard to come by. All the same, adequate corporate disclosure, good accounting and auditing practices, transparency in dealings, help make it safer for them to invest in stocks. Any stock may well be a risky investment. Yet, there surely are ways to reduce the risk.

Malta, Cyprus and then Poland, Hungary, the Czech Republic and others in Eastern Europe — even Turkey — could be later ones. We are looking at a Europe of 20-plus by the beginning of the next century.

This is far down a very different road from the one foreseen by the founding fathers of the European Economic Community in the 1950s. To the inevitable question, "Will it all hold together?" the answer must be "Only if the pace is not forced." Membership of the EU means the surrender of some sovereignty and people will accept that only slowly.

The immediate future is confused. Ironically, the next six-month presidency of the EU, starting in January, goes to France, which is likely to be in presidential election turmoil for the entire six months. The new president will probably take office in May.

If Delors emerges as the new French leader, the British government will have near-apoplexy. As Prime Minister, Margaret Thatcher had an almost continuous running battle with him and relations have not been much better since John Major took over.

Battles loom over a single European currency, due to be implemented under the Maastricht Treaty on January 1, 1997, and over the review of the Treaty itself. All these issues will come to a head at the time Britain is facing its next general election sometime in 1996 or 1997.

The outlook: continuing stormy.

DEREK INGRAM is Consultant Editor of Gemini News Service.

To the Editor...

We are confused

Sir, The talks have failed. The leaders who have disappointed the nation are blaming each other for the failure. We the common people are at a loss and worried about the future. The leaders who matter are possibly immune from the happenings in the street as, perhaps, they go to London or Singapore for shopping and their kith and kins are studying in America or England. They are only bothered about who should be the prime minister or who would win the election. We fear whether there will be another day of fighting in Dhaka University or a whole day hold-up in the Dhaka-Aricha Road and such trivialities.

The next general election is due after the present term of the parliament. So why, one wonders, the BNP is so keen to retain the prime minister after the term is over (specially when they accept that a partisan government is no good to conduct an election). On the other hand the opposition's demand for the caretaker government does not appear to be unselfish feeling for the people's right to vote. Awami League is keen to unseat the BNP government even before their term is over.

JP has compounded their demand for the release of Ershad. Jamaat's main demand is the blasphemy act. We have not seen the opposition parties take up issues which affect

our day to day life. An example is, raising the prices of utilities bypassing the parliament. Why not a day's hartal for these causes?

We the people are confused. A reader

A third opinion

Sir, It is clear from the failure of the dialogue that our politicians have little love for the country and its people. Statesmanlike approach is totally lacking in them.

The government and the opposition are sharply divided on the question of conducting a fair and impartial election. To find a way out of the impasse it is suggested that after the expiry of the full tenure of the present parliament and the government, a cabinet may be formed under the incumbent Prime Minister when she seems to be so much keen to cling to power but all the cabinet members should be drawn from non-political circles to be jointly nominated by the BNP and the opposition. These Cabinet members will be debarred from contesting the next election.

Given goodwill and sincere effort from both sides it should perhaps be possible to reach a compromise through this formula. Will our politicians act in national interest rather than in their party interest?

Zaidi Ahmed Jafri
Dhaka Cantonment,
Dhaka

DMCH Emergency

Sir, Dhaka Medical College Hospital is one of the leading government hospitals in Dhaka. But the medical services provided by this hospital are of poor quality.

Couple of days back, I had to take my younger brother for admitting in emergency as he suddenly got sick due to wrong treatment. The first thing I noticed was the indifferent attitude of the attending staff. Besides, getting a bed in the general ward was tougher than anything in life. Unfortunately, a little bribe did the work for me. Number of beds are very few in the emergency ward.

The atmosphere also is not at all hygienic and healthy. Any body would definitely get sick mentally and physically after visiting a patient there. The doctors available round the clock are all students who are, of course, not fit for immediate decision-making regarding treatment of a patient. After all, it's a question of life and death! Fans and lights are inadequate and most of them are missing or out of order.

Nobody has a headache about the minimum cleanliness. The passage connecting the words is full of patients who are lying all over due to failure of getting beds in the ward. The condition of the bathroom as well as toilet is quite sickening. The stains all over the wall and dirt on the floor would tell the story of negligence of the so-called management.

My question is, are we not forcing all the patients (who have hardly the financial ability) to take shelter in private clinics by all means?

I will request the health minister to pay a surprise visit to the DMCH without to see the conditions himself and take stringent action against those people who are being negligent in their duties. One investigating team may report in need and help to take necessary steps. Government should cut some of its over-committed development budget and divert the money where it has a great and immediate use.

M S Jamal
Monti Puri Para, Tejgaon,
Dhaka

RAJUK affairs

Sir, In the recent past, the people of Dhaka have witnessed the tilting of several multi-storied buildings in the capital and the prompt activities of RAJUK in cancellation of plan, ordering demolition and the like. However, it is quite evident that without the active cooperation and/or lack of vigilance of RAJUK this could not have happened on the first place.

There is a construction boom in the city for the last few years especially in buildings of commercial value. The developers are doing brisk business, but in most cases by defying the approved plan. With the strength of money

they perhaps 'manage' the concerned section of RAJUK to comply with their wrong doings and continue their practice of extending floors above the approved stories, extending construction work in the mandatory open spaces or extending the building on all sides from first story and above.

The other day, after watching the fire-damaged BATA store at New Elephant Road, I walked a little further towards Kataban. In a small 9-10 feet wide lane opposite to the Jamuna petrol pump I spotted a building under construction whose work was progressing on the 5th floor. Upon enquiry about the floor area, I found it unsuitable for purchase since two flats are being made in each floor in a small piece of land by projecting each floor and their balconies on all sides leaving very little open space all around. It was learnt from the people working there that the same builder is starting another similar building in the adjacent plot and both buildings will have lifts up to the 7th floor. It is astounding how RAJUK could approve building of such height in such a narrow space and is there no one to at least see during construction period if things are going according to the plan?

Or is RAJUK waiting till the innocent flat purchasers occupy the house that will eventually tilt? It's high time that RAJUK woke up and form a

vigilance team, initially to monitor the high-rise buildings in order to avoid such incidents in future.

Md Nurul Islam
Lake Circus, Kalabagan,
Dhaka

Local tea market

Sir, According to a recent report, Indian tea has started coming into our market and it is very likely that it will gradually become popular in our local market as the quality of Indian tea is often better than ours in general. Our local consumption of nearly 18 million kgs of country-made tea will face a serious competition.

In fact, our tea market is already in a great problem, the sale price in auction was below the cost of production till the last sale of 1994 season. A serious thought must be given to improve the present situation.

We are however very happy to know that the authorities are planning to step up campaign abroad for boosting exports of Bangladesh tea. One team headed by a Joint Secretary, Ministry of Commerce, has just returned after visiting Pakistan, Poland and the CIS countries. The tea planters directly linked with production do like to hear from them the prospect they have brought for exploring our tea market.

Motius Samad Chowdhury,
Phukola Tea Estate, Sylhet