

Forex reserve drops on dollar crisis

Forex dealers' assoc today takes decision on acceptable rate of greenback

STAR BUSINESS REPORT

Foreign exchange reserve of the country is going down significantly in the face of a nagging dollar crisis.

The foreign exchange reserves slumped to US\$2.829 billion on Sunday from \$2.9 billion on July 16. The reserve was \$3.169 billion on July 14. But, a \$353 million bimonthly payment to the Asian Clearing Union (ACU) has resulted in the greenback fall.

Sources said as the Bangladesh Bank is releasing dollar to the commercial banks on a limited basis to meet the banks' demands, the forex reserve is witnessing a downslide.

Banking sources said the central bank yesterday sold around \$3 million to three commercial banks.

Dollar price in the inter-bank market was Tk 65.25 while its price for import hit Tk 67.25 yesterday.

The Association of Bankers Bangladesh (ABB) is yet to reach a decision on an acceptable exchange rate of the greenback for inter-bank transaction. Earlier on July 28, in a bid to stabilise dollar price, the ABB decided to exchange the greenback from yesterday (Monday) at a rate, which would be acceptable to all banks.

Some 10 managing directors from major market player banks at a

meeting, chaired by M Tahminur Rahman, managing director of Sonali Bank, yesterday noted that all the banks may not accept the fixed exchange rate of dollar.

The meeting also considered a number of proposals such as keeping the price of dollar between Tk 65 and Tk 66 in the inter-bank transaction. The meeting also proposed that the price difference for the inter-bank transaction should not exceed 25 paise for per unit.

Besides, in the case of remittance, NCBs and PCBs will maintain equal rate and foreign banks will also have to follow this margin. If any foreign bank fails to maintain this, no local banks will transact with them, the meeting proposed.

The proposals will be tabled today at a meeting of the Bangladesh Foreign Exchange Dealers Association (Bafeda) so as to take a decision on the acceptable rate of the greenback.

A commitment made to International Monetary Fund (IMF) prevents Bangladesh Bank (BB) from interfering in the foreign exchange market and taking any direct measure to halt the ongoing dollar price hike.

Sources said following the first-ever meeting of the high-powered fiscal co-ordination council early last

week, where the dollar price spiral featured prominently, the BB took some indirect steps to stabilise the forex market.

As per central bank's informal instructions, Bafeda and ABB held meetings on the issue and took a number of decisions to rein in price spiral, sources said.

However, managing director of a private bank said, "In the free market economy, bodies like Bafeda or ABB cannot take such decisions to fix the buying and selling rates of dollar, which would be acceptable to all."

The ADB Quarterly Economic Update, which was released on Sunday, said higher oil prices in the international market have posed major risks on the balance of payments. The higher oil price has reduced the foreign exchange reserve available for other essential imports and put pressures on the reserves and the exchange rates.

The quarterly said the exchange rate experienced increased pressures and exhibited significant volatility due mainly to the rapid growth in imports relative to export growth, aided by the sharp rise in private sector credit. This resulted in the taka depreciating by about five percent between December 2004 and June 2005.

SEC warns 5 cos

BDNEWS, Dhaka

The Securities and Exchange Commission (SEC) warned five companies for their failure in submitting audited financial statements and holding annual general meetings (AGMs) in due time, official sources said.

Fine Foods Limited, Sonali Paper and Board Mills Limited, Federal Insurance Co Limited were warned for not submitting audited financial statements for 2004.

Two other companies -- The Excelsior Shoes Limited and Gachinata Aquaculture Firms Limited -- were warned for not holding AGMs for 2003. The AGMs of the companies were held in June this year.

Kazi Farms' chickens now available at Agora outlets

STAR BUSINESS REPORT

Rahimafrooz Superstores Ltd will sell 'tastyfresh' chickens of Kazi Farms Groups at the chain superstore's four Agora outlets in Dhaka.

A memorandum of understanding (MoU) to this effect was signed yesterday in Dhaka between Rahimafrooz Superstores and Kazi Farms Groups.

Niaz Rahim, managing director of Rahimafrooz Superstores, and Kazi Zahidul Hasan, managing director of Kazi Farms Groups, signed the MoU on behalf of their respective sides.

From now on customers will get cent percent halal chicken at the Agora outlets, Agora officials said.

Presently, Kazi Farms, which started its journey in 1996, produces more than 70,000 broiler chickens every week.

Preparation for private sector development vision underway

A meeting of the private sector development (PSD) Task Force was held on Sunday in Dhaka to begin the preparation of a Vision for PSD in Bangladesh.

Mahmudur Rahman, adviser to the Energy and Mineral Resources Division and executive chairman of the Board of Investment, chaired the meeting co-chaired by Kamal U Siddiqui, principal secretary to the prime minister.

Besides, members of the Private Sector Development Core Group, the Private Sector Consultative Group (PSCG) and the Development Partners Support Group (DPSG) attended the meeting, says a press release.

The PSD Vision is being developed as part of the government's overall preparation for the proposed World Bank-led, multi-donor Bangladesh Private Sector Development Support Project (PSDSP).

The aim of this PSD Vision is to achieve a vibrant private sector, which contributes to the country's overall growth and development. It will be firmly based on the government's draft of poverty reduction strategy paper (PRSP) which would be finalised within the next few weeks.

The SouthAsia Enterprise Development Facility (SEDF) and the Foreign Investment Advisory Service (FIAS) are supporting the process of developing the PSD Vision.

Japan to impose trade sanctions on US over dumping law

AFP, Tokyo

Japan on Monday decided to impose its first-ever retaliatory trade sanctions against the United States on 15 goods including steel over a controversial US anti-dumping law, the trade ministry said.

"Our country decided today to launch a countermeasure from September 1 over the Byrd Amendment of the United States," Trade Minister Shioichi Nakagawa said in a statement.

The tariff rates will be 15 percent on all the goods, in line with similar moves by Canada and the European Union which have taken retaliatory action against US products since May 1 over the 2000 US legislation known as the Byrd Amendment.

The Council on Customs, Tariff, Foreign Exchange and Other Transactions held a sectional meeting Monday to give approval for the government plan for sanctions.

The tariffs are the latest retaliation for the Byrd legislation, which redistributes levies on dumping -- selling items abroad at less than the price in the domestic market -- to US companies.

Concerted efforts key to fighting corruption

Korean leader of minority shareholders talks to

MONJUR MAHMUD

The root cause of poverty is corruption, he believed and decided to fight against it where it is deep-rooted.

Initially, people thought it was an uphill task to fight against corporate giants like Korea First Bank and Samsung Electronics.

But Professor Hasung Jang, a director of the Asian Institute of Corporate Governance at Korea University, created an example for others especially Asian states fighting corruption.

"Corruption is everywhere and it is a national agenda around the world. Situation is same everywhere because human nature is the same. But there must be some people who are committed to bringing about a change," he told The Daily Star in an exclusive interview.

Dr Jang, whom Financial Times selected as one of five "prominent figures in the world of corporate governance" in December, 2004, was in Dhaka to attend a two-day international conference on corporate governance that ended on Sunday.

"There is no magic to change the situation overnight. Concerted effort is needed. It is extremely important for political leadership to understand why right policies are needed."

Corporate governance is not an issue of the corporate sector -- it is a national issue, observed Jang. "Capital market will never develop if the interest of small shareholders is not protected."

Referring to poor governance in Korean banks in mid 1990s, he said people learnt during the crisis. "Since there was no governance in banks, there was no safe place and people lost their money. Rather than talking only, we decided to do something effective. We behaved in a very professional manner."

Jang became famous globally due to his role in establishing rights of minority shareholders of some big companies in South Korea. Since 1996, Jang has been the leader of minority shareholder activists' civil group (PSPD) in Korea. BusinessWeek recognised him by placing him among the Asian Star 50 in 1998 and 1999.

Jang wrote endless papers in Korea arguing



Hasung Jang

for market efficiency, which had exactly zero influence. "The market was not really working in Korea. So, no matter what I wrote, they didn't care." "And I became very frustrated and decided to jump into the market. Since I didn't have money I should carry some other weapons. I thought: how can I confront the guy who needs to be changed? And the natural answer was: become a shareholder."

In 1996, well before the financial crisis, Jang formed his shareholder rights' committee. The thing muddled along for a bit until Jang seized on the idea of bringing lawsuits against companies on behalf of shareholders.

He sued Korea First Bank, the largest bank in Korea run by a friend of his father. The bank failed due to poor governance. Jang later sued SK Telecom, a wing of the giant SK Group, and succeeded through a court order in getting three

outside directors appointed to the board.

The turning point for Jang came last fall, after the crash. In December 1998, he went after Samsung Electronics. He used the voting rights of shares owned by the American mutual fund Scudder, Stevens & Clark to force a meeting with Samsung's president.

To prevent unwelcome questioning, the big Korean companies often marshal their employees to fill all seats. Outsiders can then be denied entry for lack of space. The president of Samsung Electronics had assured Jang this would not happen, but it did.

On the day of the shareholders' meeting, which was scheduled to begin at 10:30 in the morning, Jang turned up four hours early and found the auditorium jammed with Samsung employees. The house remained full until 10:30 am and everyone in it was sleeping.

When Jang finally elbowed his way into the meeting, he accused the Samsung chairman of cutting various sweet deals for himself and his family at shareholders' expense. The initial reaction of everyone in the room was shock.

The meeting ran for 13 hours and 30 minutes, which, Jang has been told, is a world record for a corporate board meeting. By the end of it, Jang and his group of radicals were on their way to court, where they intended to prove, among other things, that the minutes of Samsung's corporate board meetings are forged.

The point of all of this was to open the company's books, and to force it to run its business to maximize its profits rather than the power of its chairman.

Jang got the verdict against the directors of the company and the directors were fined US\$300,000.

PSPD's achievements in enhancing corporate governance include winning a few number of landmark shareholder derivative suits against large corporations and banks in Korea. Jang was declared as Person of the Year by the Times.

Economy passing unstable juncture: Saifur

BDNEWS, Dhaka

The country's economy is passing an unstable juncture, Finance and Planning Minister M Saifur Rahman admitted yesterday.

"I am under tremendous pressure. The economy is passing an unstable period for rise in fuel prices and other goods we import," he told lawmakers from Comilla and Noakhali when they met him at National Economic Council auditorium in Dhaka.

The MPs sought allocation for different projects in their areas. Saifur, however, said he does not have enough money right at this moment.

Narrating the state of economy, Saifur said the price hike in the international markets put pressure on import bill and balance of payment (BOP) as our export did not mark rise.

"We had surplus in BOP last year, but now we are experiencing deficit," Saifur said.

He, however, still kept trust on the country's export sector adding, "We are still existing only because of our export."

The country is yet to receive the third instalment of development support credit (DSC) from the World Bank, the minister told the MPs.

The disbursement was supposed to take place in July. Later, during a visit of WB Vice President for South Asia Praful C Patel, the minister wanted it in August.



PHOTO: DCCI

Manzur-Ur-Rahman (Ruskin), acting president of Dhaka Chamber of Commerce and Industry (DCCI), presents a crest to SK Jain, chairman of Federation of Indian Export Organisations (FIEO), yesterday during the seven-member FIEO team's visit to the DCCI. Other DCCI directors and officials were also present.

SMEs need funds to enter export market

Speakers tell seminar

STAR BUSINESS REPORT

Speakers at a seminar on Sunday stressed the need for providing small and medium enterprises (SMEs) with necessary funds to help them enter export market.

They said a number of items such as processed vegetables, software, seafood, jewellery, toys, aromatic rice and electronics can be put in the country's export basket to help export diversify.

Export diversification is key to participating in the present competitive global trading system, they said adding that Bangladesh has done fairly well in its export development efforts.

They were addressing a seminar in the capital on 'Export

Diversification Tools' jointly organised by Dhaka Chamber of Commerce and Industry (DCCI) and Centre for International Private Enterprise (CIPE), an affiliate of the US Chamber of Commerce, Washington.

Speaking at the function, DCCI acting President Manzur-ur Rahman Ruskin recommended upgrade of design and quality of products and production of value added items for export diversification.

Presenting the keynote paper at the seminar, Syed Jamal Uddin, a former civil servant, said in Bangladesh the export base is not so strong and there is no breakthrough in expanding the export basket.

"Diversification of country's exports is a must for easing the pressure on balance of payment situation," he pointed out.

He proposed that the leading chambers such as FBCCI, MCCCI and DCCI post their own representatives in important locations abroad to strengthen the operation of the commercial wings of the Bangladesh missions there.

He also stressed the need for proper investigation into allegation that certain products are now being dumped into the Bangladesh market and said the Tariff Commission should look into it.

Among others, DCCI directors Omar Faruque, KMH Shahidul Haque, Kamrul Islam and Nessar Maksud Khan spoke at the function.

Group 4 regional president due today



David I Hudson, regional president of Group 4 Securicor Plc UK, arrives in Dhaka today on a two-day visit.

An electrical engineer from Manchester UK, Hudson has been with the Group 4 for the last 40 years, holding various positions in Britain including management posts in Ireland, Portugal, Spain and Italy, before moving to Delhi, India as the regional president for southern Asia and the Middle East and responsible for 20 countries, says a press release.

During his stay in Bangladesh, he will look into the Bangladesh operations of Group 4 and call on the British high commissioner and the chargé d' affaires of US embassy in Dhaka.

Yuan rates already market-regulating

Says China central bank

ANN/CHINA DAILY

The People's Bank of China, the central bank, said the yuan exchange rate is now made floating according to market forces, ruling out any more government-decreed revaluation of its currency, also called renminbi.

Since its 2.1 per cent appreciation of the yuan announced on July 21, there were growing expectations in the Western world that further revaluations will follow, triggering increasing speculative fund inflows.

Some critics in Washington have also called for a much more substantial rise of the renminbi against the US dollar.

"Some foreign people have tried to create misunderstanding by saying the adjustment is an initial move and there will be more to

come," the bank said in a statement, adding that such foreigners had come up with such explanation "to suit their own purposes".

In fact, the bank said, the renminbi rate was being set "according to objective rules".

"These movements will be created by the floating mechanism and there will be no more official adjustments of the renminbi level," it said.

The central bank said that in trading since revaluation, the yuan had been reflecting market forces and movements in international currency exchange rates.

Renminbi non-deliverable forwards, an off-shore instrument used to bet on the Chinese currency, suggest investors expect significant further appreciation of the renminbi over the next 12 months, the Financial Times reported.