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Star BUSINESS

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Public listing should be must for MNCs

Experts say as regional seminar on capital market kicks off

STAR BUSINESS REPORT

The government and the Securities and Exchange Commission (SEC) should make it mandatory for the profit-making multinationals to get enlisted with Bangladesh's stock market, speakers said yesterday at a high-profile regional seminar in Dhaka.

Major profit-making multinational companies (MNCs), operating in the country, are not interested to go public, they told the first session of the two-day seminar titled 'Capital Market Development: Asian Experiences', organised by International Chamber of Commerce-Bangladesh (ICC-B) at Dhaka Sheraton Hotel.

The speakers made the observation at the session on 'Country Experiences and Current Issues' with Fakhruddin Ahmed, managing director of Palli Karma Shahayak Foundation (PKSF), in the chair.

Addressing the session as a panel discussant, Prof Abu Ahmed, chairman of Bangladesh Shilpa Bank (BSB), said the mobile phone operators are making huge profits in the recent years but any cellphone operator is yet to get enlisted with the capital market.

"The multinational companies should offer a certain portion of their profit to the public through shares," he observed.

Besides, he said, Bangladesh capital market is also facing problems in having supply of securities with good fundamentals.

Echoing the BSB chairman, ICC-B Vice President Latifur Rahman said the capital market has to make way for the small investors.

Mamun Rashid, CEO of Citibank NA, Bangladesh, said insufficient liquidity and absence of wide participation in the stock markets are the major problems for the development of Bangladesh capital market.

Following the boom and burst in the capital market in 1996, investors are still shy and many companies prefer not to go public, he said adding, "But, we have not seen any report from the government on the '96 debacle."

Presenting a country paper on Indian capital market, Madhukar, member of Securities and Exchange



Fakhruddin Ahmed (C), managing director of Palli Karma Shahayak Foundation, speaks at the first session of a regional seminar on capital market development in Dhaka yesterday.

Board of India, said India capital market underwent rapid transformation in the last one and a half decades.

Although there is a developed government securities market in India, the corporate debt market is yet to be developed, he added.

He said market capitalisation as percentage to GDP in India reached nearly 55 percent in 2004-05 and further increased to 70 percent by September 16 this year.

"To ensure investors' protection and safeguard the integrity of the markets, there is a comprehensive surveillance system," he continued.

Highlighting various issues of the Indian capital market, Madhukar said disclosure norms in India are considered one of the best in the world and are often cited as benchmark for the global standards.

Moreover, Indian accounting standards are principle-based and aligned to international accounting

standards and the pricing of the securities are determined either by the issuer through fixed price or by the investors through book-building process, he added.

"In order to develop a security cult and encourage indirect participation of households in the Indian securities market, mutual funds are encouraged both in public and private sectors," Madhukar went on.

The screen-based trading system is a landmark in the Indian capital market while introduction of securities related derivatives in India is another milestone, he added.

While presenting the country paper on Pakistan capital market, Arif Mian, executive director of Securities and Exchange Commission of Pakistan (SECP), said the regulatory role of the commission is very significant at the heart of which lies investors' protection.

"The macro level reforms implemented by the SECP have led to the

strengthening of the securities market governance, institutions, regulation and supervision," he said.

Over the past few years, he added, the commission has implemented a comprehensive reform agenda and has taken several steps for the promotion of good governance, ensuring transparency and efficiency in the stock market, strengthening the risk management measures and restoring investors' confidence.

Ghanshyam Dass, managing director (Asia Pacific) of NASDAQ Stock Market, also presented a paper titled 'Global Capital Market Scenario-Asian Context' while Shunzo Kayanuma, head of overseas relations of Tokyo Stock Exchange, Inc, presented another paper titled 'Activities of Regional Federation of Stock Exchanges: Asia-Oceania'.

US Senator signs TRADE bill

UNB, Dhaka

Senator Hagel, a US lawmaker from Nebraska, has signed the 'Tariff Relief Assistance for Developing Economies (TRADE)' bill for passing it in the US Senate and Congress to allow duty free access of the products from 14 LDCs including Bangladesh to the US.

Being an influential Senator, Hagel is also serving as the Chairman of the Senate Foreign Relations International Economic Policy, Export Promotion Subcommittee and the Senate Banking, Securities and Investment Subcommittee.

A BGMEA press release said Senator Hagel's signature on the proposed bill has raised the possibility of passing the law in US Congress.

John E Sununu, another Republican Senator, earlier gave his consent to be the co-sponsor of the bill, the press release said.

Pak EPB to participate in Batexpo-2005

BSS, Dhaka

The Export Promotion Bureau (EPB) of Pakistan will participate with 10 stalls in Bangladesh Apparel and Textile Exposition (Batexpo) 2005 beginning tomorrow at Sonargaon Hotel in Dhaka.

The Pakistani participants will display denim fabrics and denim garments, yarn, kitchen towels and handloom fabrics of dyed yarn, knitted (finished) fabrics, garments and apparels and bed linen, a Pakistan High Commission press release said here yesterday.

Some big names such as M/s Dawood Spinning Mills Private Ltd, M/s Quality Dyeing and Finishing Private Ltd, M/s Denim International, M/s X-PerTex Denim Mills and M/s Cotton City will showcase their products in the mega show to be organised by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The Pakistani textile and clothing range includes cotton, yarn, grey fabric, bleached fabric, dyed fabric, printed fabric, knitted fabric, bed linen, home textiles, industrial uniforms, sportswear, baby wear, foundation garments, woven apparel, knitwear and accessories.

Bangladeshi bankers take part in seminar in Kolkata

BDNEWS, Dhaka

A three-day seminar to enhance capacity building and create better understanding on issues related to trade, treasury, SMEs, and micro finance began Monday in Kolkata with the participation of 22 leading Bangladeshi bankers.

The SouthAsia Enterprise Development Facility (SEDF) organised the seminar on international trade, treasury, and small and medium enterprise (SMEs) operations in collaboration with the ICICI Bank Ltd, says a press release.

Yusuf S Saadat, representative of ICICI Bank (Bangladesh), and M Rehan Rashid, senior financial markets specialist of SEDF, spoke at the seminar.

Saadat said trade between Bangladesh and India faces certain challenges, which require an in depth analysis for an effective facilitation.

He said the ICICI Bank would extend support on trade-related issues to the partner banks in Bangladesh.

Rashid said the SEDF and the ICICI Bank aim at strengthening the banks' capacity to introduce new products and services to SMEs and improving the existing products.

The ICICI Bank Ltd owns an asset base of US\$ 33 billion, the release added.

LG to build new electronics plant in Poland

AFP, Seoul

South Korea's LG Electronics said Tuesday it would build a 103 million dollar plant in Poland to produce refrigerators and liquid crystal display (LCD) televisions.

LG Electronics said the plant would turn out 500,000 refrigerators and 3.5 million LCD televisions a year from 2011.

The plant will be built in the southwestern Polish city of Wroclaw where LG Philips, one of the world's leading LCD makers, plans to build a 530 million dollar LCD factory by 2011.

Revival of sick RMG units needed to boost economy

Speakers tell BGMEA seminar

UNB, Dhaka

Government representatives, noted economists, entrepreneurs and different chamber leaders yesterday called for revival of the sick readymade garment (RMG) industries to protect jobs and boost economy.

About half of the RMG units of the country fell sick in recent years due to global crises and slump in the business as well as other industrial constraints at home.

Concern for the sick RMG industries was expressed at a seminar on "Revival of sick RMG industries vis-à-vis expansion of business and employment" held at the Unique Trade Centre convention hall in the city.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) organised the seminar, which was presided over by its President Anisul Huq. BGMEA Director Golam Sarwar Milon pre-

sented the keynote paper.

Commerce Minister Altaf Hossain Choudhury and Commerce Ministry Adviser Barkat Ullah Bulu were also present at the seminar.

Noted economists Debapriya Bhattacharya and Abu Ahmed, BKMEA President Fazlul Hoque, MCCI President Kutub Uddin Ahmed, DCCI President Sayeeful Islam and Chairman of standing committee on sick industries Md Abu Bakar, among others, spoke at the seminar.

In his keynote paper Golam Sarwar Milon said out of 4,000 garment industries, some 1,900 have become sick due to various causes including natural disaster, hartals, global crises, corruption and terrorism, inadequate utility facilities, undue overseas claim and delay in back-to-back LC (letter of credit) opening.

These sick industries are also overburdened with a huge quantity of loan amounting nearly to Tk 2,000

crore, he pointed out.

He stressed the need for making these industries operational. The entrepreneurs of these sick industries have machinery, infrastructure and huge experiences, but they need help to stand on their feet again.

Milon suggested for an initiative to revive the sick industries instead of encouraging new entrepreneurs. "Restoring these industries will be more effective, easy and timely to overcome the crises," he said.

The recently enacted Artho Rin Adalat Ain-2003 put all the sick RMG factories in a tight corner as it has given the bankers unbridled power to recover industrial loans, which is a violation of Articles 7 and 15 of the Constitution.

The commerce minister said, "We all want these sick industries to be restored and made operational."

The BGMEA president urged the government to take an effective decision immediately to safeguard the sick garment industries.

US puts bold market access plan to WTO talks

REUTERS, Washington

The United States presented ambitious proposals for market access at trade talks in Paris last week, industry sources said Monday, suggesting steeper cuts in duties than those drawn up by the European Union.

Ministers from the United States, the EU, Brazil and India met in Paris last week in an attempt to give fresh impetus to stalled farm trade negotiations as a vital World Trade Organisation meeting in Hong Kong in December draws closer.

The Paris session failed to produce agreement on a formula for cutting trade-distorting agricultural subsidies -- seen as key for progress to be made elsewhere in the trade liberalisation round.

But the fact that Washington and EU ministers presented specific figures was positive, industry sources said.

"People were encouraged that there was discussion of numbers

and ministerial-level engagement," said one.

For the past year or so, negotiators for WTO member countries have been trying to work out the skeleton of an agreement and leave the numbers -- the percentage reductions -- to ministers to agree on later.

But time is getting short and with agreement on a detailed framework still lacking, ministers decided to try to pull everything together. Their proposals linked tiers of duties imposed on farm products, with layered cuts in those duties.

"The US market access proposal was significantly more ambitious than the EU's," one industry source said. "They were talking about 4 tiers with the breaks at 20, 40 and 60 percent and a 90 percent reduction in tariffs for the highest tier."

The EU suggested broader tiers, starting at zero to 33 percent, and a 60 percent reduction in tariffs for the highest tier, the Washington Trade Daily newsletter reported.

Officials with the US Agriculture Department were not available for comment on the proposals.

US government officials have said they are prepared to cut domestic farm subsidies only in return for significant market access.

"The EU put some fairly complex scenarios on the table, but it amounted to an average tariff cut of about 36 percent," the source said.

"They've agreed that there will be tiers of tariff cuts and higher tariffs will be cut by more... but they were also talking about some greater flexibility within all of the bands to allow countries to do lesser cuts for more sensitive products so long as they met the average."

The topic of sensitive products -- on which countries can ask to keep higher levels of protection -- also prompted different reactions, according to sources. Washington talked about very few while the EU suggested a link between the number allowed per country and the size of cut.

Transparency, risk management key to wooing foreign investment

STAR BUSINESS REPORT

Corporate responsibility, transparency and proper risk management are key to attracting foreign investment in capital market, experts said yesterday at a regional seminar in Dhaka.

They said mobilisation of domestic resources, ICT development and introduction of e-governance are also important to boost capital market.

A sound capital market requires depth with a wide range of products and instruments to cater to varying risk-return-liquidity preference of investors, the experts told the two-day seminar on regional stock market development, organised by International Chamber of Commerce-Bangladesh.

They were speaking at a session titled 'Country Experience, Privatisation and Investment' at Dhaka Sheraton Hotel. High officials of capital markets from Singapore, Thailand, Pakistan, India and host Bangladesh shared their experiences at the session, chaired by Asian Development Bank Country Director Hua Du.

Rajnikant Patel, managing director and CEO of Bombay Stock Exchange Ltd, said the idea of corporate governance is the philosophy of sound, transparent capital market. It is an ethical framework, which can attract both domestic and foreign investors to capital market.

He said, "Capital market management should have transparency that provides investor's rights."

"To reach out investors' door, information dissemination through the media in different languages is very important. For investment awareness, the Indian government staged 350 different programmes in different languages in India," Patel continued.

Sethapat Suthiwart-narueput,

senior vice-president of Stock Exchange Thailand, said there is no direct restriction on inward or outward remittance by Bank of Thailand.

"The \$120-billion Thailand capital market has 418 companies and is a highly liquid market. It has 60 percent retail investors. We are trying to attract foreign companies to invest in our capital market," he added.

Arif Mian, executive director of Securities and Exchange Commission of Pakistan, said, "Our experience with the performance of

state owned enterprises (SOEs) in the 1990s has been replete with governance malfunction and financial losses."

According to the Asian Development Bank (ADB), he said, the combined direct and indirect losses incurred by these factors during the period of 1996-2002 exceeded Rs 600 billion.

In the Bangladesh country paper, Chairman of Securities and Exchange Commission of Bangladesh Mirza Azizul Islam said at the initial stage of capital market development, privatisation of state

owned enterprises can make a significant contribution.

And Bangladesh efforts are being made to progressively offload the government shares on the stock exchanges, he said.

Quoting from a recent inter ministerial meeting chaired by the Bangladesh finance minister, Islam said the meeting took a number of decisions regarding offloading the government shares and issuance of bonds by the government agencies on the capital market.



Hua Du (2-L), country director of Asian Development Bank, speaks at the second session of a regional seminar on capital market development in Dhaka yesterday.