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SEC comes under fire on chaos in stock market

SARWAR A CHOWDHURY

The SEC came under strong criticism yesterday following chaos on the country's major stock market that experts fear will send a negative signal to the large multinational groups planning to float stocks in Bangladesh.

They also urged the stock market regulator to consult with the major market stakeholders, such as authorities at the Dhaka and Chittagong stock exchanges, key brokerage houses and merchant banks before intervening in the working of the market.

Yesterday demonstrators took to the streets when stock prices fell heavily in early trade. Trading was then suspended for an hour due to a technical fault with the bourses computer system.

Problems have been brewing for several months with the Securities and Exchange Commission concerned that the stock market has become overvalued. Last month SEC Chairman Faruq Ahmad Siddiqi described the market as "not normal" and said it could "collapse."

On November 19, the SEC imposed a ban on lending by both brokerage houses and merchant banks to retail investors. On November 25, the SEC lifted the ban on lending by merchant banks, but continued the lending ban for brokerage houses.

Yawer Sayeed, chief executive and managing director of Aims Bangladesh, a mutual fund manager, said although the SEC was required to take some measures to cool down the overvalued or overheated market, these should have been taken in consultation with

market stakeholders.

He said ultimately the small investors were affected due to the SEC's un-thoughtful measures. "If the small investors are panicked and leave the market, the depth of the market will shrink," he said.

However the SEC defended its role saying its intervention in the market was not the cause of the demonstrations.

Another concern expressed by experts was how the major multinationals planning to list on the exchange would react.

"Obviously, yesterday's and last week's demonstration by a group of agitated investors will have a negative impact on the big companies' IPO processes," said an expert.

Two leading mobile phone companies, Grameenphone and AKTEL, have already expressed their intention to float their shares on the stock market.

The telecoms regulator recently asked the two mobile phone companies to submit detailed proposals on their IPOs by December 10.

Arif Khan of IDLC said there is a huge demand for more quality shares on the stock market. "If the supply of shares including government ones is increased, there will be no need to intervene in the market by the regulator," he said.

He also said a modern pricing method such as book building should be introduced immediately so that private sector companies feel encouraged to float their shares on the market.

With the existing pricing method, the private sector entrepreneurs do not feel encouraged to list their companies on the stock exchanges, he added.



PHOTO: STAR
Policemen stand guard in front of Dhaka Stock Exchange building yesterday after hundreds of general investors took to the street when a key index lost 83 points at one stage on the bourse. Finally, the DSE General Index only fell by 5.44 points, or 0.18 percent, ending the day at 2,873.29 points.

Banglalink subscribers, revenue double

STAR BUSINESS REPORT

Banglalink, the mobile telephone operator, more than doubled subscribers and revenues in the past year, according to a statement released yesterday by the company's Egyptian owners Orascom.

However the company's earnings were hit in the third quarter due to the US dollar 18 million paid to the Bangladesh Telecom Regulatory Commission for its involvement in illegal VoIP (Voice over Internet Protocol) or call termination business.

By the end of September,

banglalink had 6.02 million subscribers, up 123 percent on the same date a year earlier. This gave it a market share of 18.9 per cent, according to Orascom.

In October, Grameenphone, the country's largest operator, said it had a market share of around 59 percent.

In the third quarter, banglalink's revenues rose by 18 percent on the previous three months to US\$ 55.6 million. Year-to-date revenue for 2007 was US\$ 133 million, an increase of 113 percent.

The company said the substantial growth had been fueled by enhancing the quality of the network with US\$232 million worth of capital expenditure made so far this year.

Average revenue per user, (ARPU), remained steady in the third quarter, although at US dollar

3.1, but was down 6 per cent on the same period a year earlier.

"While other major players in the market have been experiencing stagnant revenues and declining ARPU, banglalink has been maintaining a healthy upward trend," the company said.

"Despite the overall market slowdown caused by the massive flooding that affected a vast proportion of the population, banglalink increased its overall market share to 18.9 per cent at the end of the third quarter compared to 17.9 per cent at the end of the second quarter."

Measured by earnings before interest, taxes, depreciation and amortisation, banglalink made a loss of US\$ 21.3 million in the three months to September 31, compared to a loss of US\$ 14 million in the previous quarter.

Income equality rises in South Asia

Human Development Report says

STAR BUSINESS REPORT

South Asia suffers from rising inequality of income although it has recorded buoyant growth in the last couple of years, according to a report released yesterday.

South Asia suffers from rising inequality of income although it has recorded buoyant growth in the last couple of years, according to a report released yesterday.

The Human Development Report in South Asia 2006 observed that the region contains 40 percent of the world's poor with 437 million people living on below \$1 day and three-fourths of the population below \$2 a day.

"The deprivation of huge number of population has created the potential for social turmoil which, if not addressed, could cause severe damage to the integrity of the region," the report said.

South Asia, buoyed by accelerated growth, especially in India, has registered over 7.5 percent average growth since 2003, according to the Asian Development Bank.

The report, prepared by Mahabub Ul Haq Human Development Centre based in Karachi, was released in Dhaka yesterday at the Palli Karma Sahayak Foundation, the apex funding organisation for micro credit.

Former Finance Minister M Syeduzzaman presented the report on behalf of the centre.

PKSF Chairman and Dhaka University Economics teacher Prof



PHOTO: STAR
(From left) M Syeduzzaman, former finance minister, Prof Wahiduddin Mahmud, chairman of Palli Karma Sahayak Foundation, and Manoj Basnyat, UNDP country director, are seen at the launching ceremony of Human Development Report in South Asia 2006 in the capital yesterday.

Wahiduddin Mahmud, United Nations Development Programme Country Director in Bangladesh Manoj Basnyat and Power and Participation Research Centre Executive Chairman Hossain Zillur Raham spoke on the occasion among others.

The report, which expressed worries about achieving the Millennium Development Goals on cutting poverty by 2015, said the rate of reduction in poverty had not kept pace with impressive growth, due, in particular, to rising inequality of income, slowdown in agricultural growth and anti-poor economic policies.

Pointing to the fact that many

good things are happening and employment opportunities are being created in many new fields, M Syeduzzaman said yet this new South Asia has left many people behind.

He said poverty in the region is also highly discriminatory against women.

Prof Wahiduddin Mahmud stressed good governance to make the model in terms of social-economic development.

He said Bangladesh has achieved notable progress in many areas compared with other countries in the region. He credited awareness of Bangladesh's population to achieving the progress.

ROK inflation at 3-yr high

AFP, Seoul

South Korea's November inflation rate was the highest in 37 months as rising oil prices pushed up the cost of industrial products, government statistics showed Monday.

The consumer price index rose 3.5 percent year-on-year in November, the highest since October 2004 when it hit 3.8 percent, the National Statistical Office said. The rate for October was 3.0 percent.

3-day textile machinery show kicks off

A three-day textile and garment machinery show began at Bangladesh-China Friendship Conference Centre in Dhaka yesterday.

The exhibition is showcasing products including general machinery, dyes, chemicals, plastic, and printing and packaging machinery used in textile and garment sectors, says a press release.

CEMS (Conference & Exhibition Management Services Ltd) USA in association with CEMS Bangladesh is organising the TGTE 2007 Expo (Bangladesh Textile Garment Technology & Machinery Expo).

Companies from over 10 countries and local agencies and distributors of foreign companies are displaying their product range at 200 booths at the fair, which is open only to trade visitors from 10am to 8pm.

International media partners of the show are Busytrade.com and Nippon Sewing Machine News-Japan, while the local media partners are The Daily Star, the daily Shomakal and TV channel ATN Bangla.



PHOTO: CEMS
Abdur Rashid Sarkar, secretary to textiles and jute ministry, and HT Imam, chairman of Pathmark Associates Ltd, inaugurate a three-day textile and garment machinery show at Bangladesh-China Friendship Conference Centre in Dhaka yesterday.

BIDS Golden Jubilee Celebration

People's involvement in strategies to cut poverty stressed

STAR BUSINESS REPORT

Common people's involvement in strategies is much needed to cut poverty in South Asia, economists told an international conference yesterday, adding that only strengthening institutions will not help much.

Chairman of the Centre for Policy Dialogue (CPD) Ruhman Sobhan said promotion of micro enterprises, broadening of safety nets and creating employment opportunities are poverty alleviation measures, but not the ways of poverty eradication.

The Bangladesh Institute of Development Studies (BIDS) organised two-day conference to mark its golden jubilee. Academics from home and abroad presented keynote papers. The Daily Star is the media partner of the event.

Chairing session on challenges of inequalities and poverty, Professor AR Khan, professor emeritus of University of California, collective management rather than individual management of resources is needed to address the poverty issue in South Asia.

He also argued for a comprehensive land reform in the region to address the poverty.

Citing Grameen Bank as an example, Prof Sobhan the public sector can take a lesson to address poverty in the region.

He said 40 percent ownership of

Grameen Bank belongs to 500,000 women in Bangladesh, which helps a lot in poverty reduction.

Presenting a paper titled 'Inequality in Access to Education and Its Impact on the Labour Market: A Vicious Cycle', Research Director of BIDS, Ruhman Islam Rahman said the elite group is less concerned for quality education in public universities.

Professor Arthur MacEwan of University of Massachusetts said, "Regardless of how one defines poverty -- whether in terms of people's absolute or relative condition, or as I have advocated, a combination of relative and absolute considerations -- income distribution (and wealth distribution) cannot be excluded from consideration."

He presented paper on 'The Meaning of Poverty Questions of Distribution and Power'.

Commenting on the keynote papers, economist Hossain Zillur Rahman said social norms define the poverty line in a country. Poverty must be considered from multi-dimensional aspects, he added.

In another session on 'Rural Development: Prospects and Challenges for Bangladesh', Executive Director of BRAC, Mahabub Hossain said a major change in the livelihood system has been a reduction in the dependence of land-poor households on the agricultural labour market.

'Govt can avoid donors' conditions'

STAR BUSINESS REPORT

Finance Adviser Dr AB Mirza Azizul Islam yesterday said the government with proper negotiation skill can avoid the conditions tagged with donors' aid, which are detrimental to the country's interest.

In this regard he said despite suggestions from the International Monetary Fund (IMF), the government did not accept the idea of further tightening the country's monetary policy.

"I have argued with them [IMF] regarding this issue and convinced them that such policy would not be good for us," the adviser said while addressing the concluding session of an international conference on 'Development Prospects of Bangladesh: Emerging Challenges' organised by Bangladesh Institute of Development Studies.

The session was chaired by Prof Nurul Islam, emeritus fellow of International Food Policy Research Institute. Rehman Sobhan, chairman of Centre for Policy Dialogue (CPD), economist Wahiduddin Mahmud, Gustav Ranis, professor emeritus of Yale University, USA, and Dr Mahabub Hossain, executive director of BRAC, among others, spoke at the session.

Rehman Sobhan said as the farmers are not getting proper prices of their products, the government can consider steps so that the agro-based enterprises can reserve a portion of their IPOs for the farmers.

Wahiduddin Mahmud pointed out that improving governance is a big challenge for Bangladesh in various sectors including education and health services.

POVERTY ALLEVIATION 'Bigger public investment needed as private investment drops'

STAR BUSINESS REPORT

Economist Professor Wahiduddin Mahmud yesterday pointed out that increased public investment could help carry out poverty alleviation programmes in a situation when private investment is on the downturn.

"If private investment declines, we can achieve our poverty alleviation goals through an increased public investment," said the renowned economist who is also the chairman of Palli Karma Sahayak Foundation and a teacher of Economics at the University of Dhaka.

Prof Mahmud made the suggestion at the launching programme of the report Human Development in South Asia 2006 by Mahabub Ul Haq Human Development Centre.

The report focuses on the challenges and response on poverty in South Asia, an abode of over 40 per-

cent of the world's poor population. Mahmud said inequality has increased in the region, although it registered a buoyant economic growth.

Referring to the Bangladesh context, he said the pace in poverty reduction accelerated in the 2000-2005 period with an implication on the rise on inequality.

Mahmud's suggestion came amid worries that consistent rise in the commodity prices in global market would further worsen inflation and affect purchasing capacity of the poor, majority of whom are battered by recurrent flood and cyclone.

Private investment, which could be a boon for generating income, has also slumped. Domestic investment registration with the Board of Investment has dropped 62 percent since January.

In addition, export earnings have been negative since July of the current fiscal year of 2007-08.

"Combined with cyclone and flood, the economy appears to show the signs of a slowdown," Mahmud said, referring to the fresh challenges such as rise in petroleum and commodity prices.

Termining the present situation 'an interim period', he said investment would depend not only on the performance of the present government but also on that of the next government.

Noting Bangladesh's progress in various human development indicators, he said: "The people of Bangladesh are poor but conscious about development. They can embrace any idea of development quickly."

"People's consciousness has increased, but they are yet to demand better health service and quality education," Prof Mahmud said, citing poor governance in ensuring better health service and quality education.

Dubai firm keen to hire Bangladeshi professionals

Emirates Trading Agency, a Dubai based organisation, has proposed to import labour force in different professions from Bangladesh like civil and electrical engineers, designer, cleaner, electrician, housemaid etc.

The organisation will also take 50 orphans from Bangladesh at their own cost and provide them with suitable jobs in the Middle East countries.

The proposals were made while a trade delegation of Emirates Trading Agency led by its Executive Director M Akbar Khan called on Industries Adviser Geetara Safiya Choudhury at her Industry Ministry office yesterday, according to an official handout.

They discussed about various issues relating to manpower export, investment and training of labour for developing skilled manpower.

Welcoming their proposal, the adviser said that they could help the children of government orphanages and baby homes as a part of their Corporate Social Responsibility. She also advised them to set-up import substitute industries in Bangladesh.

Akbar Khan said his organisation is interested to help the government orphanages and baby homes by upgrading their various facilities. He also said that there is a demand of Bangladeshi skilled labour force in the Middle East countries and his organisation has already provided job for five thousand Bangladeshi workers. He proposed for proper professional training of the labour force.

M Mohamed, country manager of Emirates Cement, Mohammed Sathak, executive director, Bangladesh Agro-industrial Input, were present among others.

Reliance Ins gets A plus credit rating

Reliance Insurance Ltd has been rated "A+" (A Plus) by Credit Rating Information and Services Ltd, says a press release.

The rating has been done on the basis of good fundamentals of the company such as strong reinsurance arrangement with internationally recognised reinsurers, good franchise value, sound solvency position, significant institutional shareholding, significant market share, experienced management team, wide service network and diversified product line.

A Plus rating denotes high claim paying ability. Protection factors are good and there is an expectation of variability in risk over time due to economic and underwriting conditions.

New president of BASIS



Rafiqul Islam Rowly

Rafiqul Islam Rowly has recently been elected president of the Bangladesh Association of Software and Information Services (BASIS).

The association chose M Shueb Chowdhury as its senior vice president, according to a press release.

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