

International Business News

Malaysia wants to end reliance on foreign workers

AFP, Kuala Lumpur

Malaysia is appealing for help from employers to end the reliance on legal and illegal foreign workers in the country, where numbers have topped three million, reports said Wednesday.

The move comes after a decision earlier this year to send home up to 500,000 legal foreign workers by 2009 in a bid to force employers to hire locals.

"We want the demand for foreigners totally scrapped, that is our aim," home minister Syed Hamid Albar told the Star daily.

"We need cooperation from those who are seeking workers," he added, saying there were three million foreign workers in Malaysia.

Syed Hamid said illegal workers were one of the biggest problems the ministry was facing.

"We need a collective and planned effort from all quarters... to ensure that we only depend on our own citizens," he told the daily.

The government has already announced a ban on foreigners working in frontline roles in hotels and airports.

US subprime losses could total \$422b: OECD

AFP, Paris

Losses because of the financial crisis sparked by the US subprime mortgage crisis could rise as high as 422 billion dollars (267 billion euros), an OECD report said Tuesday.

That figure was far lower than the 945 billion dollars estimated last week by the International Monetary Fund.

The OECD also said Tuesday that the crisis had revealed a need for a fundamental overhaul of the financial system, including better regulation, said the Paris-based Organisation for Economic Cooperation and Development.

The 422-billion-dollar figure included losses of 90 billion dollars in the United States alone, said the OECD's committee on financial markets.

Central banks have taken various steps to calm the markets, but concerns remain and the situation is not fully resolved," said committee chairman Thomas Wieser, who also heads up the Austrian finance ministry.

China's growth slows as food prices soar

— AFP, Beijing

China's economic growth slowed in the first quarter of the year but soaring food prices kept inflation near a 12-year high, the government said Wednesday.

The cost of food was up 21 percent since the beginning of the year -- a serious concern for the country's communist rulers, who fear that excessive price rises could set off social unrest.

The world's fourth-largest economy grew 10.6 percent in the first three months of 2008 from a year earlier, the National Bureau of Statistics said in a much-anticipated news conference in Beijing.

This was an easing from 2007, when China's economy expanded by 11.7 percent in the first quarter and 11.9 percent for the year, according to data from the bureau.

"Amid the impact of the spreading and growing (US) subprime crisis, policies were put into place in an effective way, leading to steady and fast economic growth," said Li Xiaochao, the bureau's spokesman.



Several hundred Indonesian students take to the streets near the presidential palace in Jakarta yesterday to protest against the government, accusing it of failing to control the recent commodities price hike. High food prices have helped drive Indonesia's March inflation rate to 8.17 percent.

Hong Kong has world's highest apartment rents

AFP, Singapore

Hong Kong has the world's priciest apartment rents, with the lease for a three-bedroom unit costing more than 9,700 US dollars on average a month, a survey released Wednesday said.

Singapore, which positions itself as a Southeast Asian business hub, saw Asia's biggest year-on-year rental increase of more than 30 percent last year, the survey by human resources firm ECA International showed.

The survey covered 2007 and is based on lease prices for a three-bedroom apartment in popular expatriate areas, ECA International said.

Asian cities, led by Hong Kong, accounted for six out of the top 10 locations that have the world's most expensive rentals for three-bedroom apartments, it said.

Other Asian cities in the top 10 global list are Mumbai which ranked sixth, Seoul seventh, Singapore ninth, and Ho Chi Minh City 10th.

INTERVIEW

Bangladesh needs to invest in education, infrastructure

Says StanChart group CEO

ASHFAQ WARES KHAN

Bangladesh has a huge potential for wealth creation but the country needs to invest in education and infrastructure, and develop deeper connections with the international economy, says Standard Chartered Group Chief Executive Peter Sands.

In an interview with The Daily Star on Tuesday, Sands said Bangladesh is often under-estimated but 'there is a huge potential for wealth creation' and turning the nation into a middle-income country by 2025 is a 'doable aspiration'.

The chief executive of the Standard Chartered board since 2006, Sands was in Dhaka on a brief tour of South Asia.

Sands said the building blocks for a good economy is to build stable institutions and political framework, good education system, a culture that is open and confident about the rest of the world.

But he did say there are a number of 'massive challenges' the country has to overcome to achieve that level of income.

"I would like to see democracy, further economic reforms in certain sectors, and greater investment in education," he said, sitting at the plush new headquarters of Standard Chartered Bangladesh in Gulshan.

Sands also stressed 'greater internationalisation', with more Bangladeshi companies exploring opportunities overseas and more international companies being attracted here.

He also said that he would like international companies to start seeing Bangladesh as a country with a great talent pool and that is what Bangladesh can be known for.

Unfortunately, Bangladesh has suffered from a media focus on issues such as floods, the government and the business community could do more to focus on achievements, he said.

Bangladesh's biggest asset is its people, but greater numbers have to be educated.

"Education has to be a huge priority. It can lead to enormous growth if Bangladesh make use of opportunities overseas," he said.

Asked about Bangladesh's economic prospects in a volatile world market, Sands said "Fortunately, Bangladesh is not as exposed to the sectors that are likely to get hit by the US slowdown." He explained that the



Standard Chartered Group Chief Executive Peter Sands

most immediate casualties of the US economic slowdown are sectors associated with the housing market.

He added Bangladesh is positioned relatively well because of the diversity of its export destination and large readymade garment exports, as "The clothing market is resilient" as people always need clothes.

But, Sands warned, "The broader issue is that if the US slows down, nobody is immune."

He also said Asian countries are far better placed to meet this crisis as there were greater risks taken in the mortgage markets in the US and Britain.

"Although the average growth rate might come down as an effect of the US slowdown, but the economies will not get derailed," Sands added.

The CEO also said one of the main concerns for the global market is inflation, while the world should not expect 'quick relief' from the rising oil and food prices.

Sands said greater international exposure would be 'beneficial' for the Bangladeshi economy, with Bangladeshi industries such as readymade garments industry doing well internationally despite tough competition.

Business confidence is also important that helps countries reach out to international markets as well locally accepting international competition, according to Sands.

He said SCB tries to make two types of acquisitions geographic and network capabilities to expand their network and access, as one of the bank's biggest "Assets is our international network."

The recent acquisition of American Express's Bangladeshi operation is an example of SCB trying to expand its scale of operation and its capabilities to tap a greater market.

Asked how the bank has managed to grow in tough financial times,

FACT FILE

Standard Chartered  Bangladesh

- In Bangladesh with the acquisition of Grindlays, Standard Chartered Bank has a presence over a hundred years since 1905.
- The bank's services in Bangladesh range from Personal & Corporate Banking to Institutional Banking, Treasury and Custodial services.
- Operating income up by 15% to BDT 9,614 million (2006: BDT 8,369 million)
- Profit before taxation up 17.5% to BDT 6,483 million (2006: BDT 5,518 million)
- Total assets up 19.8% to BDT 97 million (2006: BDT 81 million)

Source: Standard Chartered Bank

Indian market out to external investors. Sands said, SCB could play a significant role of a 'facilitator' in Bangladesh.

He also said that SCB's success has come from sticking to its strengths, which is a focus on markets in Asia, Middle East and Africa which has been the source of 90 percent of its profits.

He also cited the long-standing relationship with South Asia, with the bank celebrating the 150th anniversary of its branch in Kolkata this week.

Sands also warded off any concerns regarding SCB's banking vulnerabilities similar to troubled banks in North America and Europe.

"Standard Chartered is a conservative bank," he said, adding most banks did not understand the risks they were taking.

He added that most banks were not properly pricing risk and the shock to the financial system would continue for 'some time'.

COLUMN

ASIF ANWAR

When one share becomes 50

My girlfriend, a dermatologist and an entrepreneur, started investing in the stock market in 1999, the year of her graduation from medical school. She targeted pharmaceutical stocks following the simple "buy and hold" as her preferred investment strategy.

Over the years the portfolio experienced an increase in the number of shares due to bonuses received, a decrease in the value because of poor performance, and the total disappearance of share certificates (paper) due to the arrival of the Central Depository Bangladesh Limited (CDBL).

I can't help but meddle in her finances, forced by professional habit and a genuine concern to check for irregularities that might skip her untrained eye. I had to call her broker for an explanation when I noticed the poor execution of some trades. Moreover

while browsing over her brokerage statement last month I couldn't believe when the broker mentioned "odd lot" to justify the discount on a sale price, because as far as I know the lot system does not exist within a central depository.

The market lot is a "necessary evil" of a physical system as it is not possible for companies to print millions of certificates for each share. Usually the lot sizes vary from 5 shares to 1000, depending on the total number of shares outstanding. Odd lots are produced as a result of the issuing of bonus shares to a shareholder that are either not enough to form a market lot, or not fully divisible by a market lot. For example, if a lot is 50 but due to the issuing of bonus shares the investor now has 60 shares, it can be difficult to sell the extra ten, hence the discount.

The setting up of the Central Depository Bangladesh Limited (CDBL) in 2003 should have done away with this problem as shares were to be dematerialised and complemented with electronic trading and efficient and quick settlement. In a de-mat system there are no such things as market lots or odd lots, simply because there cannot be a lot for something that does not exist. De-mat is the transformation of paper certificates, regardless of lot, into virtual "certificates" or data in single units. As a result, de-mat allows conversion of trillions of shares, each representing one share, since the "certificates" will not take any more space than required to store a Compact Disc. This virtual share certificates requires no manual processing, and unlike paper certificates, is not susceptible to theft, forgery, or

damage.

But this has simply not happened. Consider, for example, the case of Dutch Bangla Bank, a high flying stock that soared more than 300 percent in the first months of 2008. The stock peaked around Tk14,325.75 prior to record date last month. Yet you could not buy a single DBBL share for Tk14,325.75 rather you had to buy a market lot, in other words 50 times this amount, or Tk7,16,287.50. This high minimum investment is a barrier to participation by small investors, and a natural advantage to large and institutional investors. In addition, the stock exchanges are deprived of fresh funds and additional volume that would have found its way into these stocks in the absence of the lot system.

The contributions of a Central Depository are manifold, stretching beyond the

removal of inefficiencies of physical settlement to being a major source of information providing instant access to shareholding structure and trading patterns. Instant availability of shareholding structure stimulates Mergers and Acquisitions (M&A) activities by exposing management that may not have a controlling stake in the company. Trading is more transparent and surveillance easier in a central depository, since by definition, it prevents the movement of shares reducing the possibility of certain type of market manipulation techniques used with paper certificates.

Based on this information, the SEC to monitor, trace, and catch those involved in "insider trading". Profiting from own stock trading by management on information yet to be made public, or

Insider Trading, an open secret of our stock exchanges, is not only unethical and criminal, but also a major threat to future growth.

The CDBL, in its 5th year in operation, has no excuse for failing to deliver the benefits of a central depository to the market. The fact that other bodies within the capital market, i.e. stock exchanges and the SEC, have not demanded the proper application and implementation of the central depository is a burning testimony to the capacity of the individuals at the helm of these organizations. I wonder how will they cope when more complicated stuff like derivatives, futures etc. are here in the near future!

The writer is an Independent Financial Consultant, Investment Adviser, and a Lecturer, School of Business, IUB. Comments: anwar_asif@hotmail.com