

The political scenario

There may be a dearth of honest and competent candidates for participation in the national election. In politics, simply honesty or competence or wealth is not enough. People's acceptability of the candidate is most important. Strange and puzzling results may be seen in the election. We need not be panicky

A.B.M.S. ZAHUR

At last, the signs of returning to parliamentary democracy are becoming clearer because of a fresh commitment for a credible national election by CA, encouraging statement of the army chief of a good elected government from January 2009, the US consent to send observers to Bangladesh national election, and positive signs of consent from BNP and its alliance partners to participate in the national election of December 2008.

In some respects, 2009 may be considered as unique because of the following factors:

- An army-supported civil government will transfer power to a democratically elected government.

- Whatever may be the degree of participation in the election by the major parties it is the only way to free themselves from the current political doldrums.
- To remove doubts about authenticity of the voters' list, the fresh list has been prepared under the supervision of the army.
- The voters will be allowed to cast their votes without fear or favour under emergency.
- The possibility of influence of black money or muscle power has been reduced to a minimum level.

The political parties are in different stages of preparation for contesting in the election. Among the participating parties the AL is way ahead of other parties, despite the absence of its chief (expected date of return is early November 2008), because of its

better management, greater experience, and the ability to appreciate the need for an election and elected government. Generally speaking, wasting too much time in bargaining with the government and ignoring the sentiment of grassroots level workers and leaders is not good politics.

In the present situation, the AL, or AL-led alliance, has greater chance for winning in the election because of the following factors:

- It has no internal division or dissension at the moment.
- Its chief tries to accept suggestions/recommendations of the presidium instead of showing temperament of a dictator.
- The image of the 4-party alliance has been considerably tarnished due to greed, indiscip-

line, and un-parliamentary behaviour of some of its top-level leaders (particularly those who were close to Hawa Bhaban).

- Rapid development of dynasty-based politics in BNP has done great damage to its reputation as a moderate democratic party.
- A fundamentalist Islamic party, JI, which is reported to be related to some Islamic militant groups, only divided it.
- A strong possibility exists for incarceration of some front ranking leaders due to charges of graft, extortion, money laundering etc.

Due to its better organising capability, discipline and maturity, JI has been able to dominate its senior alliance partner. This will be revealed during distribution of parliamentary seats. With clear division in BNP it is certain that JI will further consolidate its position at the cost of BNP. However, the chance of JI performing better in the next election is bleak due to gradual loss of appeal for establishing an Islamic state.

JP (Ershad) appears to be in a

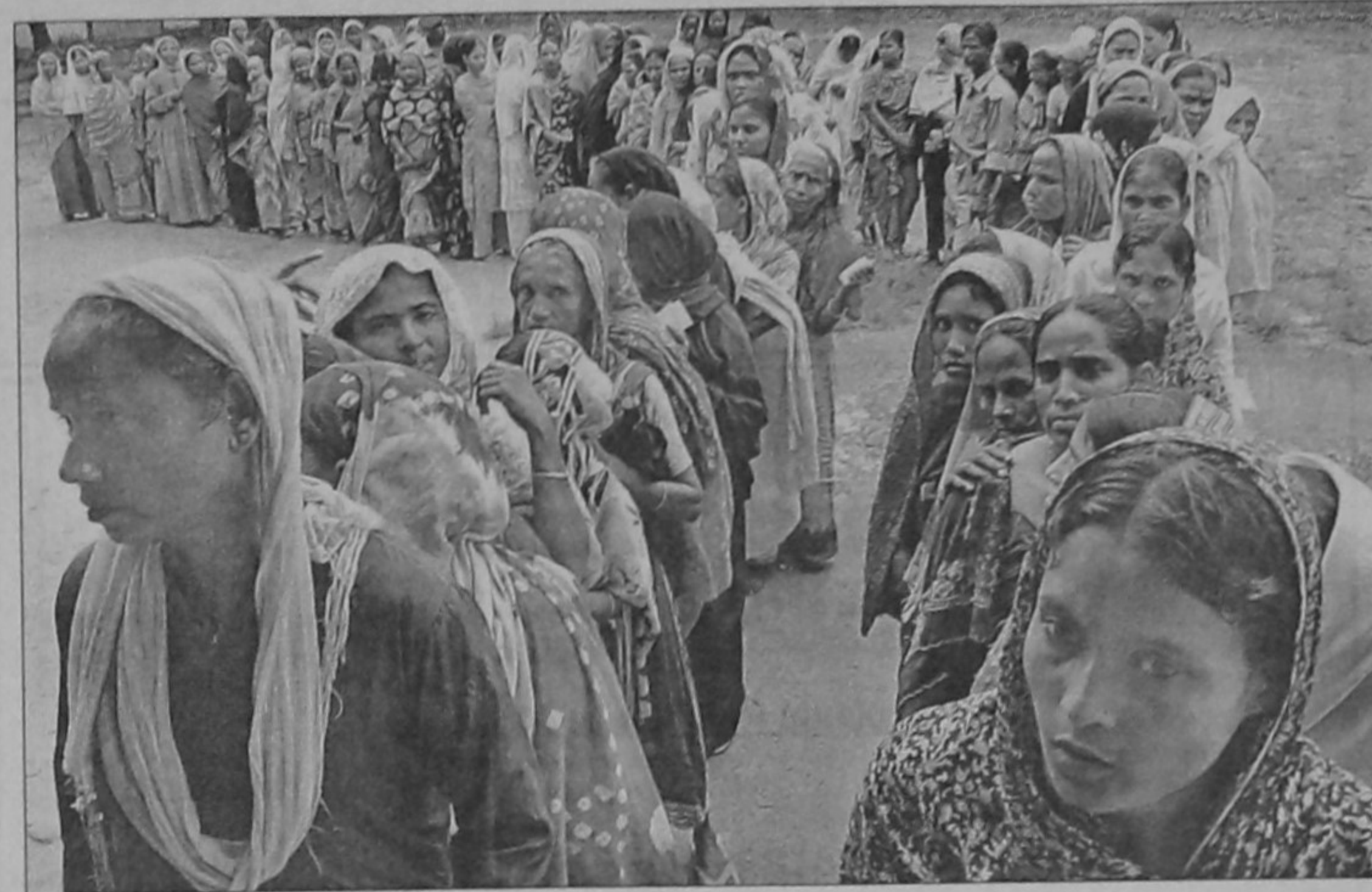
better position because of loss of popularity of BNP. If AL agrees to include this party in its proposed alliance (formation depends on return of Hasina from abroad) it may emerge as a major political party. A possibility even exists that some members of BNP may join the party due to turmoil in BNP.

In the case of small parties, we do not see any prospect for their lot.

There may be a dearth of honest and competent candidates for participation in the national election. In politics, simply honesty or competence or wealth is not enough. People's acceptability of the candidate is most important. Strange and puzzling results may be seen in the election. We need not be panicky unnecessarily.

With regard to the *upazila* elections, it is almost clear that they may be completed during the tenure of CTG because the major parties are not enthusiastic about these elections, no matter what the directive of the Supreme Court may be. The EC will make all out efforts to complete *upazila* elections by 2008.

It is true that we all wish to have



Looking for a candidate who will put voters first.

a democratically elected government to tackle complex and sensitive issues like the price hike of essential commodities, alarming decrease (16%) in FDI and domes-

tic investment, slow down of economic activities, and hesitation of donor countries and agencies to support the current non-party government. Thus, the people are

anxiously waiting to see an elected government running the country from January 2009.

A.B.M.S. Zahur is a former joint secretary.

'Our activities are legal'

In New York for the United Nations General Assembly, Iran's tough-talking Foreign Minister **Manouchehr Mottaki** sat down with Newsweek's **Lally Weymouth** to discuss how he sees U.S.-Iranian relations and Iran's growing power.

WEYMOUTH: Do you believe there will be an Israeli or an American attack on your nuclear facilities?
MOTTAKI: No. If there were such an attack by Israel, would you regard it as an attack by the United States?

In the Middle East, [no one] makes a distinction between the U.S. and Israel. Reportedly, officials in your administration have talked about shutting down the Strait of Hormuz in the event of an attack.

A number of American and Israeli officials express military comments and take military positions. Naturally, they will get military responses. President Bush called Iran part of the Axis of Evil. Then, last July he sent one of the top US State Department officials, William Burns, to attend negotiations with Iran. That was a pretty big change...

We welcomed the participation by Mr. Burns in the Geneva talks. We feel that if this is the real approach taken by the US right now vis-à-vis the nuclear issue, they must continue with such efforts.

So you're happy with the US approach?

The American administration has taken the first realistic step. Just in sending Burns or in what Burns said?

Previously, the U.S. administration attached certain provisos to their presence in the talks. [Burns's] presence in Geneva meant that those were no longer in play. An effort has started and if it is to succeed in resolving the nuclear

issue, we have to take it to the next step.

But you are not going to abandon your nuclear program?

What we are doing is completely legal... For us to arrive at a mutual confidence, we need to negotiate. But Iran is the only member of the United Nations that has talked about wiping another charter member off the face of the earth-- Israel. Pakistan has the bomb, India has the bomb, but they have not threatened to annihilate another country. How do you gain confidence in a country if it says it intends to wipe another country off the face of the earth?

We do not officially recognise this regime... Going back to the nuclear issue, I will continue by saying that our activities are completely legal. The International Atomic Energy Agency says that Iran has not reported a lot of what it has been asked for and that it is continuing its uranium enrichment.

We are continuing with enrichment, which we have every right to do. What about the other charges in the IAEA report?

The resolutions of the UN Security Council [against Iran] are unlawful and illegal. Last year we responded to all the questions that were given to us by the agency. Later, it became quite clear that the questions were given to the agency by the Americans. After we were through

with one set of questions, the Americans came back with new claims that they gave the agency to look into.

The US ambassador in Iraq, Ryan Crocker, has said that Iran is applying heavy pressure on Iraqi Prime Minister Nuri al-Maliki not to sign the Status of Forces Agreement [governing the presence of U.S. troops]. Is this so?

Whenever the US fails in imposing their policies, they say Iran is to blame.

So you do oppose the Status of Forces Agreement?

At the end of the day, the points of view and the wishes of the [local] people have to be respected. Do you think that Iran and the United States share any common interests in Iraq and in Afghanistan, and do you see any basis for the two countries working together in those areas?

Our position when it comes to Iraq and Afghanistan [is] we want security and stability for those countries. We are calling for the determination of the fate of those two countries to be handed over to the people and to the legally elected governments of those countries. If the US has the same point of view... [it] has chosen the wrong policies to go about this. Because in six years in Iraq and seven years in Afghanistan, [the United States] has failed to materialise [its] goals. Therefore, [it] needs to fundamentally change such policies. We are saying that the

American administration needs to take a correct set of decisions, and one of those decisions has to do with [setting] a timetable for pulling out the troops.

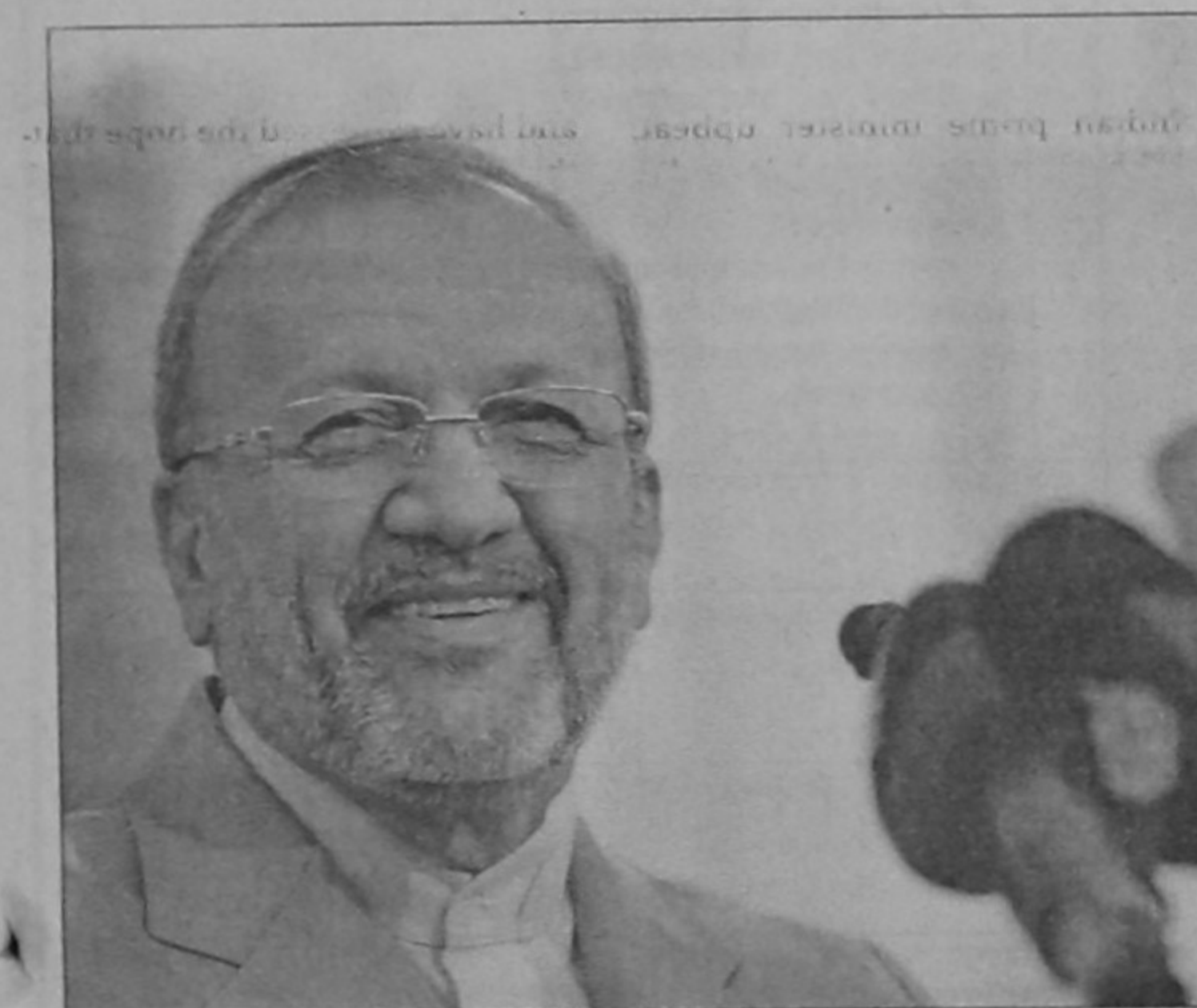
Do you think Senator Obama would be better for Iran since he has called for a withdrawal from Iraq?

Whatever candidate becomes president will have to bring about fundamental changes in US policy regarding its relations with different parts of the world, including the Middle East.

I get the impression that Iran owes the Bush administration a big favour -- that Iran's power has increased immensely thanks to the US invasion of Iraq.

The difference between us and some others is that they like to interpret everything through a lens of might and power. What we like to do is to look at issues through the perspective of justice and our principled ideas and positions. We feel that perceived power in today's world cannot be the only device utilised in playing a role and being influential. The American military might has not become weakened. What is lacking on the side of the American administration... has to do with their logic. They have failed to persuade the international public opinion to see matters through their perspective.

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Manouchehr Mottaki

The Bangladesh capital market

This piece is from the series of summaries of papers presented at the "Bangladesh in the 21st Century" conference held at Harvard University (June 13-14) and organised by Bangladesh Development Initiative (US), Democracy and Development in Bangladesh Forum (US), and The Ash Institute of Democratic Governance & Innovation at the Kennedy School of Government, Harvard University. The views expressed in the articles are expressly those of the authors.

MAMUN RASHID

TODAY, with a \$71 billion economy and per capita income of roughly \$500-plus and growth rate averaging 6% during past 3 years, the Bangladesh economy has accelerated to an impressive level. However, the capital market in Bangladesh is still underdeveloped and its development is imperative for full realisation of the country's development potential.

The market has seen a lot of developments since the inception of Securities and Exchange Commission in 1993. After the bubble and burst of 1996, the capital market has attracted a lot more attention, importance and awareness that have led to whatever infrastructure we have in the market today. We have come across a long way (DSE market capitalisation is approximately \$12 billion with 250-plus listed companies and daily turnover averaging around \$30 million) and also need to go a long way.

Reasons behind the under-development

Information asymmetry: A handful of institutional investors may

enjoy certain benefits, since they have an investment/research unit manned with qualified officers; nothing exists for retail investors. In the absence of independent research houses and filtering of information among different types of investors, retail investors remain more vulnerable to manipulation. **Supply side constraints:** The market does not have adequate number of fundamentally sound scrips. Focus should be on the privatisation of state-owned enterprises through public offerings in the bourses. Also, valuation of equity component in a project is not always done appropriately leading to overvaluation of sponsors equity base and therefore higher leverage from practical point of view.

Lack of professional portfolio management: The government has reduced the interest rates on savings instruments, however this particular market is still limited to the commercial banks, and individual investors do not have access to these instruments. An estimate suggests that the ratio of institutional-to-retail investors is still low in Bangladesh, even relative to other emerging markets. The presence of institutional investors is

expected to ensure better valuation levels due to their specialised analytical skills.

Weak corporate governance: Multi-national corporations and institutions often adhere to very high international standard compliance regime, but the local market has to adhere to and effectively enforce a standard corporate governance system to ensure level-playing ground for all. **Valuation disparity:** An important aspect for capital market is reflection of fair value of scrips. This is not adequately present in the current scenario, resulting into lack of attention of an important segment of investors, both foreign and local.

1996 and today

The bull run that took place in 1996 left a number of positives for the market. The SEC has implemented a lot of investment-friendly regulatory reforms. These fundamental developments, which were well overdue, followed the 1996 bull run. In the secondary market, surveillance is more active and particular than before.

In the present automated trading environment, bid/offers, depth and required broker particulars are

all recorded and can be retrieved for future reference. The Central Depository Bangladesh Limited allows operating and maintaining the Central Depository System of Electronic Book Entry and for the convenience of various other activities.

The stock market surveillance mechanics in place at present has no resemblance to that of 1996. There are strict rules and guidelines, trading circuit breakers, and international standard surveillance to protect investor rights and ensure fair play.

The disclosure requirements and its timing for both listed scrips and IPOs as devised by the SEC are now more reflective of international best practices. SEC is also adopting new valuation methods that are expected to result in fair pricing of new issues.

Opportunities

The capital markets in Asia are getting more and more focus with the growing corporatisation of the Asian economies. Comparing the local market scenario with that of the rest of the region, Bangladesh is in a pretty good shape as we have most of the infrastructure in place.

At present, the government is heavily focusing on developing a debt capital market. The market is yet to support short-term capital requirements of corporations. Commercial paper has not yet been tried primarily due to interest rate volatility and illiquid risk-free instruments.

Debit trading of state-owned oil companies has spurred a lot of encouragement among investors. Government needs to privatise

more SOEs through the stock exchange. SEC is contemplating the introduction of the book-building method in the valuation of IPOs in order to ensure a fair price within this year. This will encourage companies with sound financial health to come into the market.

Recommendations

- The market needs more good scrips. The process would be easier if we could draw attention of good issuers by improving the market governance system and eliminate scope for manipulation. The regulators need to play an active role in removing the bureaucratic bottlenecks and promote rules that provide incentives to the family-owned conglomerates to list.

- A dedicated financial market cell at the Ministry of Finance could be formed to co-ordinate with various regulators as well as other ministries. This would enable the government machinery to approach the development of the capital market in co-ordination with the broader monetary and exchange rate policies.

- Flotation of mutual funds will ensure sound investments and reduce the dependency from local individual investors to institutions to an extent. This could work as an immediate solution to contain the unpredictable volatility caused by retail investors' spree.

- The private equity industry in Bangladesh is at a very nascent stage, witnessing initiatives from some local entrepreneurs who have undertaken to raise capital

from global institutional investors for the purposes of private equity investment in the country.

Government initiatives in this sector would be very useful in the form of a one-stop service solution to approve and register private equity transactions at origin.

- Incentive for private sector entrepreneurs to access the capital market should be more noticeable. Infrastructure projects should access capital market to raise financing through bonds and corporations should raise short-term financing through commercial papers.

- Equity research is not yet very popular in Bangladesh. The quality of brokerage houses should be assessed by the quality of research produced by their independent research departments. Quality analysis needs to address valuation issue in a more pro-active manner. The independent analysts should determine the intrinsic value of a traded security for the investors; this would indicate whether particular scrips are overvalued or undervalued in the secondary market.

As mentioned earlier, the Bangladesh capital market still has a long way to go. The measures taken by the transitional government have already begun to positively impact the market. If more investor-friendly policy reforms were to be implemented, the capital market will undoubtedly play a critical role in leading Bangladesh towards being the next Asian tiger.

The writer is a banker and economic analyst.



It's raining cattle

LIKE many people, I regularly look up to the heavens and say: "Why has a cow never fallen on me?" One of the main reasons discerning consumers like me chose to live on planet Earth is that delightfully bizarre things happen to us here.

For example, a criminal may mug us wielding a bottle of chilli sauce; we may drink a carton of milk only to find to find that it contains industrial chemicals; or, most memorably of all, a large animal may fall on us out of a clear, blue sky. Yes, life on Earth keeps us on our toes, just one long laugh-fest!

But the fact is, life can be horribly unfair. Despite having spent most of my life on Earth, no large animals have ever flown out of the heavens and crash-landed on my head.

The same cannot be said about a man recently motoring down the highway in Changchun, China. His journey was interrupted by a cow descending out of the blue and bouncing off the hood of his car. The heavy black-and-white beast left a deep dent into the vehicle. Police reckon it fell out of a speeding truck. The cow had no motor insurance, third-party or otherwise.

And in Washington, in the United States, a large object fell from the sky and landed on the roof of a minivan belonging to Charles and Linda Everson. Mr Everson, 49, got out of the car to see what had hit it, and his wife heard him repeating: "I don't believe it. I don't believe it." She joined him to find it was... another cow! This time, a 300-kilogram whopper. Police suspect it somehow flew off a nearby cliff, possibly attempting to hang-glide

without the benefit of a hang-glider. Readers informed me that earlier this year in Alaska, a flying moose narrowly missed hitting state trooper Howard Peterson, crash-landing a few metres ahead of his vehicle. The trooper told reporters that the moose, a creature he once considered primarily a land animal, can soar through the air. "They can fly and they can land," he told the Anchorage Daily News. "Just not very well."

There have been similar incidents in Europe. Norway resident Leo Henriksen was enjoying a leisurely Sunday drive with his wife when a 350-kilogram moose landed on their car. The tiny red Japanese vehicle did not win the argument. People are always going on and on about how brilliant Japanese cars are, but the wreckage made it clear that the manufacturer, Mazda Corp., neglected to include any sort of protection whatsoever from giant descending mammals, which I know is hard to believe.

Asia, of course, is the World Capital of Bizarre Road Hazards. In Asia, my road journeys have been interrupted by the sudden emergence of monkeys, elephants, wildebeest, and -- scariest of all -- leaping herds of pro-communist demonstrators.

In Hong Kong, live fish are transported in open tanks on the back of speeding trucks. I was once being driven along a highway when a surprised-looking garoupa slapped onto the windshield. It bounced away before I could claim it for lunch.

But I have yet to have a cow fall out of a clear sky and land on top of me. Unless of course you count my first girlfriend. What can I say? There are cows and there are cows.



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