Independent regulator can safeguard financial market

US envoy tells DSE

STAR BUSINESS REPORT

Transparent and independent regulatory oversight can safeguard a capital market from any debacle, the US ambassador in Bangladesh has said, referring to his country's financial market collapse last year.

"A lack of independent regulators or an opaque system of rules means capital markets are vulnerable to manipulation, corruption and collapse," James F Moriarty said.

He, however, sounded a note of caution that Bangladesh must guard against any threats, despite the immunity from the crisis worldwide it largely enjoys.

The US envoy made such observations during his meeting with officials of the Dhaka Stock Exchange when he visited the prime bourse yesterday.

Moriarty said not only Bangladesh, but other nations also need fair and transparent oversight of financial markets that safeguard the interests of savers and investors, particularly individuals.

"A transparent and equitably-applied system of rules helps ensure confidence in markets. And confidence is the lynch-pin of market structures," he said.

He also pointed out that investors have more confidence in the markets that apply regulations equitably and clearly to protect against corruption and manipulation. "Confident investors attract more savers and investors, which in turn leads to healthy and stable markets," the envoy said.

"I urge Bangladesh, including Dhaka Stock Exchange, to implement clear and fair financial rules that allow shareholders to maximise benefits and minimise risks," Moriarty said.

Pointing to the fact that a healthy system leads to a strong economy, he said capital markets are yet another tool for Bangladesh to use as it builds an economy that raises incomes, alleviates poverty and moves the country ahead.

DSE President Rakibur Rahman drew Moriarty's attention to day-by-day rise in the number of individual investors whose matured behaviour helps keep the local stock market stable.

Rahman said the present market capitalisation is around US$ 20 billion, 43.8 percent up from March 1. The daily transactions reached $ 1.5 billion from $ 43 million within a few years, he pointed out.

The DSE chief said there are around 2.2 million BO (beneficiary owners) accounts and about 10 million people are directly and indirectly involved with the market.

He also told the envoy that the DSE would lead a delegation to the USA very soon in order to attract and motivate the non-resident Bangladeshis there so that they can contribute in developing the capital market.

EBL

Ali Reza Iftekhar, managing director and chief executive officer of Eastern Bank Ltd, hands over a crest to Iftekhar Alam, managing director of Utility Animal House Ltd, as the first SME client for constructing a biogas plant during a ceremony in Dhaka on Monday. Atiur Rahman, Bangladesh Bank governor, and Rachel Kyte, vice president of IFC, are also seen.

MEGHNA BEARING

Abdul Mottaleb, managing director of Meghna Bearing Industries, hands over a cheque to Altaf Hossain, owner of Beauty Cycle Store, at a ceremony in Rangpur recently. Beauty Cycle received Tk 1 lakh in the Lakhpoti Offer recently launched by Meghna Bearing.

Over 50 Japanese investors in town

BSS, Dhaka

Some 50 Japanese investors are now in Dhaka, some of them on invitation of BKMEA and BGMEA, now holding annual international trade fairs.

The visiting investors target exploration of new business and investment opportunities in Bangladesh.

This is the largest presence of the Japanese investors here at a time in last two decades, an official of the Board of Investment said, pointing to a growing prospect of Japanese investment.

Bangladesh Knitwear Manufactures & Exporters Association (BKMEA) President Fazlul Hoque on sideline of the BKMEA trade fair at a city hotel welcomed the Japanese presence.

Haque also asked them to buy more merchandise and make associated investment in textile and knitwear sectors.

BoI Executive Chairman Dr SA Samad yesterday met with a 22-member Japanese investment team.

BoI Director for foreign Investment Jalal Hai said Japanese investment came in large volume to Bangladesh initially in the late 1980s and early 1990.

Such investments slowed down later because of strikes and recurrent cyclones.

Japanese investors then refocused investments in China, Vietnam and some other East Asian countries that can provide higher profit with low production cost, Hai also said.

But as production cost has significantly increased in these countries they are trying to find new investment destination in which Bangladesh appears attractive, he added.

"The Japanese government also encourages investors to move to Bangladesh," he said, indicating the opening of a new chapter in the relation of both the countries dominated by more trade and investment.

In the wake of the global economic recession, they are also refocusing their export markets to new areas like Japan, Hong Kong, South Africa and some such other countries, some officials of Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said.

A BKMEA official said they visited Japan and Hong Kong twice to make sure their presence during the annual international trade fair now in progress.

Bangladesh is also trying to develop its production capacity and catch up with the design and fashion sensitive new markets like Japanese market, the official said.

Benapole port back to normalcy

OUR CORRESPONDENT, Benapole

Export-import trade through Benapole land port resumed in the afternoon yesterday after it remained suspended for a day.

Indian workers organisations had stopped imports through the port after a clash with Bangladeshi truck drivers on Monday morning. Two Indian workers were injured in the clash at the transshipment yard of the port.

After a long meeting with the workers organisations the agitation programme was withdrawn and normalcy returned.

BMW reports profit plunge

AFP, Frankfurt

The German luxury car maker BMW on Tuesday posted a 73.8-percent drop in third quarter net profit after being slammed by a collapse in the market for high-end vehicles.

A BMW statement said net profit plummeted to 78 million euros (115 million dollars) from 298 million euros in the third quarter of 2008.

Analysts polled by Dow Jones Newswires had forecast a slightly better figure of 94 million euros this time around.

Drug makers fail to maintain WHO guideline: Unicef

UNB, Dhaka

Most pharmaceutical companies in Bangladesh fail to maintain the Current Good Manufacturing Practices (cGMPs) set by WHO, according to a Unicef audit report.

A Unicef-expert team conducted the audit on 17 units of manufacturing plants of its enlisted and potential supplier companies in the country.

According to the inspection on cGMPS, these companies failed to show necessary documents of their organograms, job descriptions, qualifications, experiences, skills and training of people.

The World Health Organisation (WHO) version of cGMPs is used by pharmaceuticals, medical device and food manufacturers, as they produce and test products that people use.

"Lax sampling and dispensing labelling, specification were found in the report," DDA Assistant Director AA Salim Barami told a seminar in a joint presentation with ABM Anwarul Hussain, director (industrial quality and compliance) of Sanofi Aventis Ltd.

The Directorate of Drug Administration (DDA) organised the seminar titled "Lessons Learned from Unicef Inspection on cGMP," at the CIRDAP auditorium with support from WHO.

Bangladesh Association of Pharmaceutical Industries (BAPI) Adviser Nazmul Hassan said the government should set a minimum standard for local pharmaceutical companies in line with the international drug testing organisations so that they can ensure quality products.

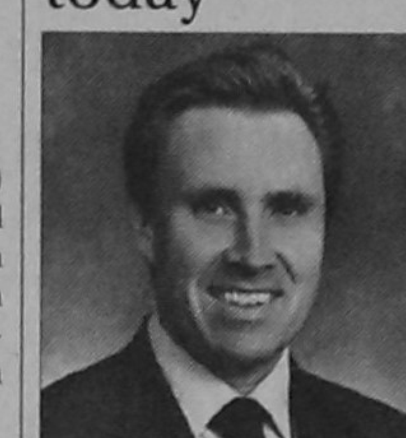
Novartis Bangladesh Director (technical operation) Munshi Siraj Uddin said it is important to have a commitment to maintain the quality of products.

State Minister for Health Mozibur Rahman urged the leading manufacturers to build a combined strategy to develop a world-class central drug-testing laboratory to maintain the quality of products. "The government can't afford it without cooperation of the private sector," he said.

Health Minister AFM Ruhal Haque also spoke.

According to officials, there are 246 allopathic, 201 ayurvedic, 268 Unani, 79 homeopathic and four herbal medicine companies in the country.

StanChart CMO due today



STAR BUSINESS DESK

James Galloway, the chief marketing officer for Standard Chartered Group, is scheduled to arrive in Dhaka today for a two-day official visit, says a statement yesterday.

James will be accompanied by Anup Suri, the bank's group head of direct sales.

James, experience and formal qualifications in economics, applied finance and marketing, joined Standard Chartered in 2008 from Westpac Banking Corporation, Australia.

Euro, pound slide

AFP, London

The euro and the pound fell sharply against the dollar on Tuesday as European stock markets tumbled and Britain unveiled a major shake-up of the banking industry, analysts said.

Meanwhile international monetary policy was in focus after Australia raised interest rates for a second month running.

Europe rises from crisis, but now races against time

AFP, Paris

Europe is pulling clear of recession but now faces a long fight to unplug itself from government funded life support as it struggles with extra debt, a strong euro and an ageing population, analysts say.

An AFP survey this week of analysts' notes on hurdles ahead for European economies pinpoints a paradox: with each move toward recovery they begin a race against time to put growth, employment and public finances in step.

The urgent task now, say analysts at Dutch bank ING, is to start planning for what they call a "rebalancing from public to private spending."

In remarks consistent with the broad tenor of analyst comment, they say: "Eurozone governments are likely to continue to stimulate their economies next year, but the exit from fiscal stimulus cannot wait too long."

In a specific warning about another looming crisis, they warnd that "the future costs of ageing will soon turn from theory into reality and many European countries are far away from a sustainable public finance position."

ING economists acknowledge that government spending rigour is unlikely to come before 2011. But come it must if countries are to cope with the needs of their elderly.

Age-related spending in the eurozone could rise by more than 5.0 percent from 2010 to 2060, with countries such as Greece, 16 percent, and Slovenia, 12.7 percent, looking at double digit increases, according to ING.

"At present no single eurozone country could cope with the costs of ageing without permanent adjustments to public finance.

"Ageing is a genie which cannot be put back into the bottle. Its fiscal cost cannot be neglected or ignored."

The 13 biggest countries in the European Union have allocated almost 90 billion euros (133 billion dollars) in tax cuts and fiscal spending this year to stimulate growth, complemented by nearly 230 billion euros in credits to consumers and producers, according to a study by the European economic research group Bruegel.

But every bit as threatening to the financial health of Europe is the long-term debt, and the interest charge, that could be the legacy of anti-recession stimulus spending.

The eurozone's executive commission has warned that the bloc's debt level could reach 100 percent of gross domestic product by 2016, up from 69.3 percent at present.

In France's new budget public debt is projected to soar to 84 percent of GDP in 2010, while in Germany finance minister Wolfgang Schaeuble said that if the government wanted to reduce its debt to 60 percent of output (in line with EU rules) by 2020 the economy would need to grow 4.5 percent a year.

The current German government of Chancellor Angela Merkel has made clear that its immediate priority is growth at the expense of more budget deficit and debt, principally by means of tax cuts.

However, some analysts in Germany say that the programme may also carry the seeds of structural reform to strengthen the medium-term growth potential of the economy.

That would help the government on the path to meeting a recently passed law requiring zero deficits by 2016.

Angela Merkel

"We made the decision to take a path fully directed towards growth, with no guarantee at all that it will work, but which offers the chance that it will work," Merkel said last Monday.

"By saving, saving, saving I see no chance of success." However, after an outcry over the possible consequences for the deficits, she moderated her remarks.

Yet another cloud on the horizon is the eurozone single currency, the euro, which has lately been gaining steadily against the dollar, a trend that if unchecked could hamper European export earnings and stifle recovery.

The dollar paradoxically tends to weaken when there is good news from the US economy and prospects brighten on the world scene. Under such circumstances, investors are emboldened to branch out into currencies -- such as the euro -- that are seen as riskier than the dollar.

The euro is now being traded near 1.50 dollars.

"In the short-term," said UniCredit Group chief economist Marco Annuziata, "I expect the euro will move even higher and the pain will get stronger."

The effect of the appreciating euro "will start hitting the recovery at its most fragile juncturem six to nine months from now."

European policmakers, he added, are saddled with "a frustrating impotence," as the European Central Bank, its interest rates near zero, has run out of its traditional ammunition.

The bank can no longer slash rates as a means of discouraging investors, whose appetite for the single currency boosts its value.

But some economists caution against exaggerating the negative effects of a strong euro.

"With global demand recovering pretty strongly, for at least a few quarters, the ongoing rise in the euro is unlikely to halt external sector recovery in its tracks," argued analysts at Capital Economics.

A strong euro reduces the cost of critical dollar-denominated commodities such as oil and, by lowering the price of imports, acts as a brake on inflation.

"The good export earnings of the last seven years illustrate that the pain of a strong euro can be limited," said analysts at ING.

They recalled that between 2000 and 2007 the euro appreciated by more than 60 percent. During the same period exports from countries using the currency to markets outside the eurozone grew by more than 45 percent.

Europe finally is facing another painful spurt in unemployment, according to researchers at Morgan Stanley, who foresee the jobless rate in the eurozone rising from its current level of 9.6 percent of the workforce to 10.7 percent in the second half of next year, with new entrants finding it espcially hard to land a job.

But Morgan Stanley analysts noted that the eurozone labour market has held up much better than its US counterpart in the recession.

The unemployment has rate climbed by 5.0 percentage points in the United States to 2.0 in the eurozone -- even though growth has contracted much more sharply in Europe than the United States.

The Morgan Stanley analysis, explaining the differing performances, cited tighter labour market regulations in Europe, a practice by European companies to adjust hours rather than payrolls and a contraction in the European workforce as migration flows reverse.