Govt yet to decide on absolute authority for BB

REJAUL KARIM BYRON, *From Tokyo*

THE government is still undecided over the key donor condition of giving more authority to the central bank over the state-run banks, despite not having much time in hand.

The parliament must pass the Banking Companies Act as well as the VAT Act within the next month for the country to be able to get the second instalment of $1 billion from the International Monetary Fund (IMF).

"Still, there is no consensus over the reforms in the Banking Companies Act," said Finance Minister AMA Muhith.

Providing full control to the Bangladesh Bank over the state-run commercial banks remains a sticking issue of the Banking Companies Act.

"We have informed the IMF about our position and they have informed us of their decision. They want to see the language of the law [before it is passed]. I told them that would be possible," Muhith told The Daily Star in Tokyo on Saturday.

The IMF wants the government to cut the authority of the Banking Division, a wing of the finance ministry, and give more power to the central bank -- to allow it to control the state-run banks.

Muhith said there would be some delay as he would not be able to do anything until he returns from Hajj.

"It is now in my hand, with the ministry. Bangladesh Bank has sent their proposals. The committee we have formed has also sent its proposals. We are ready, but I want to think over it a bit."

With regards to the VAT reforms, Muhith does not think that the IMF conditions are serious.

The finance minister, however, is hopeful Bangladesh would receive the loan from the IMF in November.

The lender has approved $987 million for Bangladesh to help it overcome macroeconomic pressures and build a buffer reserve, with the first of the seven instalments already received last year.

"Our domestic demand is good. But the export has a major impact," said Muhith, who is in Tokyo to attend the semi-annual meetings of the World Bank and the IMF.

He added that the Eurozone debt crisis is risky for Bangladesh as the continent is home to about half of the country's exports -- and the growth potential of the country is heavily reliant on exports.

AMA Muhith

Although exports grew by 3-4 percent in the last three months because of the slowdown in the European Union, the government is hopeful that it would grow by 10-11 percent in the current fiscal year, according to Muhith.

At the meetings, the IMF forecast that Bangladesh's economy would grow by 6.1 percent in the 2012 calendar year.

Naoyuki Shinohara, a deputy managing director of the lending agency, said the country's GDP would grow by 5.8 percent in the current fiscal year.

"The IMF projection is always low, which is globally more or less accepted," he said.

The WB and Asian Development Bank projections are higher, as per Muhith.

"But the actual performance of the country depends upon God."

Muhith said he himself asked the IMF about its opinion.

"They have publicly and privately said there is consensus between the countries which are under trouble and the countries who can afford to help others. Its result will be positive."

"When there is any consensus the situation can be brought under control, even if you do not get out of it. It is good news for us."

Muhith said he has told the new WB president -- who says has only one goal in his mind, that of poverty eradication -- that he has to act differently to meet his targets.

"I have told the WB that there is poverty in high-, middle- and low-income countries. But the poverty of high- and middle-income countries is not comparable to that of the low-income countries."

"You will have to think differently if you want to eradicate poverty in other [lower income countries] countries."

"I hope that perhaps he would consider this plea seriously as he is so focussed on poverty. I have been making the same plea for the last three years."

Muhith said the low-income countries do not receive special benefits from the policies of the WB and the IMF, although they are the ones most in need of the facility.

"It was discussed significantly at the meeting of the finance ministers of Commonwealth countries."

During his visit, Muhith met Japan's Deputy Prime Minister Katsuya Okada, had lunch with Japan-Bangladesh Parliamentary League and held meeting with the Foreign Correspondence Club of Japan.

About Japanese investors' eagerness to invest in Bangladesh, the minister said Japan has long been trying to invest in Bangladesh but the country is not being able to provide adequate land.

"I think Japanese investment will flow to Bangladesh if we can provide them land."

He said Bangladesh would have to keep in mind that Japan has got another place in Myanmar to invest.

Muhith said the government would sign an agreement with Japan to set up metro rail.

"It has already been decided. The Japanese government has already taken the decision. The issue has been stuck because of some small issues."

IMF meeting heralds shift away from austerity

AFP, *Tokyo*

THE curtains came down Sunday on IMF and World Bank meetings that were dominated by a gathering row over whether austerity or growth should come centre stage as the world economy seeks a reboot.

The International Monetary Fund -- criticised in the past for its strict prescription of the bitter medicine of deficit cuts -- used the week to articulate a moderated position emphasising growth.

That brought its Managing Director Christine Lagarde into conflict with champions of austerity, in the person of German Finance Minister Wolfgang Schaeuble, who insisted there was "no alternative" to budget-slashing.

The dispute was the centrepiece of events in Tokyo, as they jockeyed over how strict to be on countries with runaway deficits.

Lagarde caused a stir on Thursday when she said she was happy for Greece -- bleeding from the spending cuts demanded by international creditors -- to have two more years to meet its deficit-reduction targets.

The following day, Schaeuble said there was "no alternative" to slashing bloated national balance sheets, demands to which Athens and other troubled eurozone capitals have agreed in exchange for multi-billion euro bailouts.

On Saturday both insisted they were on the same page.

"We are in complete agreement with the IMF, and especially with Ms. Lagarde, that in a mid-term view the reduction of too-high debt levels is completely unavoidable," Schaeuble told reporters.

As they sought to paper over the cracks, Lagarde told a separate news conference that talk of a split was overdone.

"In reality, what has been presented as disagreement is more about perception than reality," she said.

"We all recognise that credible, medium-term fiscal adjustments are necessary in all advanced economies... (but it must) be calibrated on a country-by-country basis... it cannot be one-size-fits-all."

Calls for moderation in the pace of fiscal tightening have grown over recent months, with sometimes-violent street protests in debt-laden European countries as joblessness grows and social welfare programmes are trimmed.

There are also escalating fears that cuts are a drag on the global economy.

Shared knowledge for vibrant bourses

KH ASADUL ISLAM RIPON

IT has been a little over two weeks since my visit to Istanbul as a Bangladeshi delegate to the Istanbul Finance Summit 2012. The visit was short but a memorable one filled with generosity and hospitality.

The organisers ever willing to take on a burden for us made us feel like guests even on the day we left. It was a comfortable setting but a rough wakeup call, for some of us working in the financial sector. We were exposed to a vast field of opportunities that have been continuously ignored.

Region wise, we are bound by commonalities in culture, environment and tradition and therefore share common problems and possible solutions. Through a friendly dissemination of knowledge and experience, we can revitalise and energise our economies.

Shared knowledge can fuel the growth of a stronger and more vibrant Euro-Asian growth in the stock exchanges and financial sector of our economy. The Istanbul Finance Summit can and must play a lead role in order to make the region more robust for business.

No description can succeed in telling all that can be told. Exploring avenues of cooperation among the regional brokerages is just that it is a description of an exploration. And it cannot succeed in telling all that can be told. That is because, what can be told or what is told has a great deal to do with what we choose to believe.

In other words, a journey begins with the belief that what we are about to set out to do will be beneficial to us all, and is worthy. We can be sceptical about the path we take, but we need to be optimistic about the destination we wish to reach.

Those who never reach their destination are not the failures; here, they might be ridiculed for being lost. The real failures are those cynics who never set out in the first place.

In 1999, the Chittagong Stock Exchange invited all the bourses of the region -- India, Sri Lanka, Pakistan, Nepal, Bhutan and Bangladesh -- together for a dialogue.

After two days of cordial discussions and in the spirit of mutual cooperation and economic development, the bourses signed a declaration, eventually giving birth to the South Asian Federation of Exchanges (SAFE) in January 2000.

STAR

Investors take a look at a projector screen to know about stock prices at a brokerage house in the capital. Shared knowledge can fuel the growth of a stronger and more vibrant Euro-Asian growth in the stock exchanges and financial sector.

Later on February 01, 2008, the SAFE in collaboration with Dhaka Stock Exchange organised the second South Asian Capital Markets Conference, setting up the unique opportunity of meeting and networking with the cream of security markets professionals of South Asia.

Regional cooperation being the theme, the conference was focused on issues related to the functioning of the securities market, such as market management, regulatory harmonisation, and scope for regional integration/cooperation, emerging opportunities, trends and challenges for the brokerage/financial services industry.

The role of mutual funds and foreign institutional investors, standards of corporate governance, trading techniques and technologies and several others related aspects of growth and development of the regional capital markets were also discussed in the conference.

Coming to the avenues of cooperation among the regional brokerages, the first issue to be taken into consideration is to develop a level-playing field in the region. That is basically the standardisation of products, services, accounting, legal and technological standards of the markets in the region.

Integration of markets on inter-regional level requires cooperation among governments, market professionals, regulatory bodies, and most importantly the investors themselves. Thus development of human resources, starting from training professionals to educating investors is a key factor for a successful integration of the markets.

Integration of capital market is never complete without integration of the money market in the region. The uncertainty in the foreign exchange rates has high possibilities to hold back investors. Thus having a common currency in the region, would not only flourish the capital market but also all other forms of business and trades both in the interregional and international levels.

The ultimate goal of the SAFE should be forming a stock exchange, where all the brokerages/financial institutions in the region would unionise.

There would be an independent and separate regulatory body to monitor and control the activities. This would not only integrate the capital market of the region but also let investors trading in different stock exchanges around the globe have access to our capital market.

We can issue and raise funds from around the globe, through mutual funds, index traded funds, and even securities for different infrastructural and development projects in the region.

It is important to develop a healthy diversification of business in the region.

More emphasis needs to be given on developing service-oriented businesses like IT and tourism. Communication in the region needs to be developed. Tourism is a booming industry, so to attract in more tourists in the region a common visa could be issued.

There are abundant avenues to discover and develop, and the SAFE is one such platform. I believe it is high time to join hands and build a new South Asia, a poverty-free, self-sufficient and truly independent South Asia.

Some of the best minds of our subcontinent work for our respective capital markets. We can come up with facts, figures, strategies, and expert opinions one after another. These are all charged particles; nothing is neutral.

That is why, at the end of the day, the decision making process is the process of taking a leap of faith, and it is up to us to take the plunge.

In other words, by simply being present here today does not mean we believe in cooperation among regional markets. The SAFE has been around for many years now. The question is how far we are sincerely willing to take it, to further energise the capital market of our respective countries.

Therefore, there is no need to explore; avenues are not discovered. But roads have to be made. In other words, avenues for cooperation will be unlimited provided it is driven by some faith.

The writer is the managing director of City Brokerage Ltd. He can be reached at ripon_aurora@yahoo.com.