BCIM EXCHANGES FORUM

A myth and manifestation

DR MUHAMMAD ABDUL MAZID

THE "BCIM (Bangladesh-China-India-Myanmar) Economic Connectivity Forum for Regional Cooperation" is popularly called the Kunming Initiative, as it began its journey in August 1999 in Kunming, capital of China's southwestern Yunnan province. After 14 years of intense dialogue and cooperation, the BCIM Forum has now become an important sub-regional cooperation mechanism in the region, aimed at greater integration of trade and investment between the four countries. Subsequently, to facilitate and consolidate the process of regional economic cooperation and create cross border trade and investment opportunities both at public and private sector level, an organisation named "China Kunming International Logistics and Finance Association (ILFA)" has been set up in Kunming with the support of the Chinese government. The initiative has been mentioned at the recent summit of regional leaders in Beijing and highlighted during bilateral head of state level meetings between Bangladesh and China.

ILFA is working for connectivity and cooperation issues covering Southeast Asia, South Asia and Indian ocean regions and also working towards infrastructure construction including roads, land and deep sea ports, significant projects, construction of industrial parks, free trade zones etc. Among other objectives, ILFA is also exploring the possibilities of creating platforms for international exchanges, research on financial instruments and formation of international logistics organisations and regional financial organisation for ensuring financial interconnectivity of the region.

Under the initiative of BCIM Exchanges Forum, ILFA and South Asian Federation of Exchanges (SAFE), a brain storming meeting was organised during 9th - 10th June, 2014 in Kunming, China. The main theme of the meeting was "Free Trade Zone and International Financial Opening Cooperation." It referred to regional financial integration and BCIM economic corridor issues, suggesting international financing mechanisms for the establishment of China-Bangladesh economic corridor connectivity. In particular, it highlighted the need to establish Free Trade Zones, form Pan Asia Stock

Exchange, establish non-governmental financing mechanism, research on how to promote the regional finance co-operation and create and market innovative financial products suitable for the objectives. The meeting emphasised, in particular, the importance of supporting the construction of Silk Road Economic Belt and the 21st Century Maritime Silk Road. It agreed, guided by UN-ESCAP and joined by experts from the relevant countries, to suggest plans for the Asian economic corridors transport facility which can act as the basis for making financing products through bilateral research.

The Kunming congregation agreed to support the suggestion of setting up the pilot projects of BCIM Free Trade Zones. It reached consensus on supporting the government of four countries under the framework of UN-ESCAP "Governmental Land-ports Agreement". This aims to build all the land ports under the pilots of BCIM Free Trade Zones including international land ports like Dhaka - Kamlapur Land Container Depot (Bangladesh), Kunming-Tengjun International Land Port (China), Kolkata-Durgapur International Land Port (India), Mandalay International Land Port (Myanmar) and others. The idea for setting up of a Pan Asia Stock Exchange took a turning point in the meet ing. It decided to organise a joint committee to investigate how to develop the stocks, bonds, futures, gold and other financial derivative instruments to be used for the construction of the BCIM and other Asian Economic Corridors for the regional nations (like railway, highway, river, and others), the industrial gardens construction (like Sonadia Port, Chittagong Port, Kyaukpyu Port and others), energy development (like electric power, natural gas and others) and other infrastructural fields. All of these are to be supported through international financing mech anism for infrastructure connectivity constructions possibly through cross-border investments between Chinese investors and other enterprises/entities. The meeting assumed that establishing the non-governmental financing mechanism would promote financial market for opening and cooperation, support commercialised services for the RMB Settlement and RMB clearance programme cooperation, advance the mutual participation of banks, insurance and stock exchanges, build join transactional credit

assessment system and build risk monitoring and controlling platform, a common regulatory framework which shall cover all kinds of financial markets, financial organisations, financial products, financial instruments and settlements of transactions. There is none to deny the fact that

Bangladesh-China-India-Myanmar economic corridors need huge funds, both from private and public sector, to support infrastructural constructions such as harbour, railways, highways and other areas like industrial park/free trade zone and many other projects related to BICM economic co-operations. Accelerating the much needed cross-border infrastructure requirements construction can help ease the bottleneck of the regional infrastructure requirements which will effectively guarantee the smooth, convenient and efficient cross border logistics movement as well as improve human capital and prompt industrial development in BCIM region. With this in mind, the concept of establishing a specialised regional stock exchange was brought up to serve as an investment and trading platform, establish a cross border opening of China-South Asian investment cooperation in both public and private sector, determine appropriate method for financing and selection of currency denominations for the kind of projects undertaken under BICM and regional initiatives.

As such, ILFA, SAFE (now under Bangladesh leadership) and exchanges from BCIM member countries as well as exchanges from SAFE member countries and financial institutions can mindfully move forward in formation of a regional stock exchange with funding constructions related to BCIM Economic Cooperation. With formal endorsement by respective governments and regulators, the proposed stock exchange will be set up in Kunming, China and initially trading products will include Yuan denominated securities, RMB bonds, RMB fund and RMB index products. These products can be listed in other partner exchanges which will then allow the communities of the region to participate in the cost and financial benefits of such economic corridor construction.

The writer is Chairman, South Asian Federation of Exchanges (SAFE) and Chairman, Chittagong Stock

WORLD ECONOMIC OUTLOOK G-20 countries brace for a cold winter

ABDULLAH SHIBLI

ASOLINE prices are falling across the globe. While consumers are happy, some others, particularly finance ministers and central bankers, are keeping a nervous eye on the sputtering world economic engine. Under normal circumstances, falling price of imports is good news for any country, unless you are also an exporter. But, declining oil prices when it is indicative of, or a consequence of, a slowdown in the major economic powerhouses particularly Eurozone countries and Japan, can only mean that it's time to prime the pump, the economic pump that is, once again.

The forthcoming meeting of heads of government of the G-20 countries on November 15 and 16, 2014 in Brisbane, Australia, comes at a critical juncture of the world economic recovery that has experienced too many hiccups. It is now clear that only the US economy is still keeping its upward momentum while the rest of the world, including Japan and China, are taking a break.

Crude oil prices at the world market have been dropping for the last six months and dropped by 29% since June. It means good news for the motorists as well as for the millions of average citizens in the northern hemisphere using heating oil who are bracing for the cold and harsh winter. It has been estimated that every time price of gasoline drops by 10 cents it contributes \$44 million a day to the average American household income and acts as a stimulus to the economy. But, as most of my readers know, falling oil prices is but only one factor that influences consumer spending. And, in addition, lower price is a result of shifts in both supply and demand curves. For middle- and low-income earners in G-20 countries experiencing stagnant wages, weak hiring, and higher costs for housing and health care are likely to far outweigh any "savings" that come via cheaper gas prices.

So, is it gloom and doom in the coming months? Not quite, since there are some good news. The G-20 leaders are meeting in mid-November in Brisbane, Australia to be followed by a meeting of the finance ministers. While the US Federal reserve just announced that it will suspend its programme to purchase securities, known as QE3, starting November, the ripple effect in the global financial market is minimal. Normally this news would have caused a major shakedown in Wall Street, with stock prices spiraling downward.

But that has not happened this time, for two reasons. The announcement was well anticipated and, secondly, the central bank in Japan announced that it will undertake a QE programme on a scale unprecedented for Japan.

Let me turn to the reason for the Fed's decision. The downside of QE is that the Federal Reserve or any central bank ends up with billions of dollars worth of stocks and bond which it has to get rid of. The other side-effect of QE is buildup of inflationary pressures. There was much opposition to the Fed's continued pumping of money due to the fear that once the inflation genie was out of the bottle it would be very hard to put it back again. The Fed also had in mind that the recent round of bond-buying has left it with a balance sheet worth \$4.48 trillion, up from less than \$1 trillion before the crisis.

US consumer sentiment rose in October to 86.9, the highest level since July 2007, up from

> For Bangladesh, lower oil prices mean a better balance of trade account. Demand for our manpower is projected to be very strong in the Gulf countries notwithstanding the sluggish oil market.

84.6 at the end of September. However, there is currently a fear in US, EU and Japan that deflation rather than inflation might be more important to keep an eye on. The Fed's target of 2% has been missed for the 29th consecutive month, and it announced that the chances of inflation are low and "inflation in the near term will likely be held down by lower energy prices and other factors."

Unfortunately, the economic outlook for other countries is not as bright. News from Europe in recent months has been of a gradual slowdown or a loss of momentum in its economic recovery. Mr. Mario Draghi, President of European Central Bank (ECB) has been advocating European countries to abandon discipline and undertake fiscal policies to stimulate their respective economies. However, he ran into a collision course with Angela Merkel, Chancellor of Germany, Europe's largest econ-

omy. Ms. Merkel is encouraging her fellow European leaders to stay on course and let the easy money policy and other forms of economic aid, which are in the pipeline, to run through its course before letting go of fiscal discipline.

As mentioned, Japan's new bold monetary policy will help ease any jitters in the world financial market. Bank of Japan, the central bank, announced on October 30 that it will strengthen QE by \$730 billion. This will mean that demand for bonds will go up which, given the inverse relationship between bond prices and returns, indicates that yield on bonds will experience a downward pressure. Investors will now look for alternative investment instruments and stock prices are likely to go up.

Japan has experienced slow economic growth, tepid consumer spending, and fears of deflation since the year 1990, and a "damaging cycle of falling prices and lower spending" causing a downward deflationary spiral. Japan's slump has become endemic and the economy has been in this rut despite previous rounds of QE. Bank of Japan's Governor Haruhiko Kuroda has lashed out against "the deflationary mind-set" which he considers the root of Japan's economic woes. Against this backdrop, Japan's export sector has been a bright spot. The Japanese yen has been falling against the dollar, and dropped a whopping 46% since the start of 2012, and this makes Japan's exports cheaper giving it a boost.

How effective will this recent round of QE likely to be in Japan? Since QE always works, the question is how long would it take and what are the unintended consequences. Low interest rate sometimes results in speculative investment in real estate and stock market boom. It is known that Japanese economy already had idle reserves and the consumers were reluctant to spend. Another problem to consider is that for Bank of Japan the assets to GDP ratio is over 60%, twice the corresponding ratio for the Fed and the Bank of England.

For Bangladesh, it is all good news. The world market for garments, our main export, is robust, and remittances are on an upswing again. Lower oil prices mean a better balance of trade account. Demand for our manpower is projected to be very strong in the Gulf countries notwithstanding the sluggish oil market.

STAB

TUNIC

ADDTO

DREDGES

JAR

Yesterday's answer

NORUNDERGO

JEAN TOXIN

A|R|C C|A|N|I|N|E|S

I R K S O M E C A L L A S E R S T O R E S T O C K T I L E D

SWEAT TWEE

HAL

SWAB

PINES

UNDAM

The writer is an economist.

CROSSWORD by Thomas Joseph

The real

man smiles

in trouble,

gather

strength

from distress,

and grow

brave by

reflection.

Thomas Paine

QUOTABLE

1 Final, for one 5 Pants part

CROSS

9 Farm machine

10 Malfunction 12 Acid type

13 Baseball manager Joe 14 Old brass instrument 6 Green prefix

16 Road-house

17 New Haven student

18 Bird with flippers 20 Starts a set

22 Game callers

23 Fall flower 25 School near Windsor 19 Wise teacher

28 Arctic natives 32 Made still

34 Singer Carly - Jepsen 35 Ornate planter 36 U-235, e.g.

38 Comic strip worker

40 Overly eager 41 Botheration

44 Chow

42 Obdurate

43 Scott of history

DOWN

1 Tex-Mex treat 2 Magic potion

3 Dispatched 4 Acting companies

5 "Paradise Lost" figure

7 Glass-covered hall

8 Rutabaga's cousin 9 Foundations

11 Actors Sean and Christopher

15 Close buds

21 Wind pointer

24 Back 25 Outfit 26 Deflected

27 Glutton, slangily 29 Asimov classic

30 Gimme putts

31 Run-down

33 Trite 37 "See ya!" 39 Night before CRYPTOQUOTE

X MWHV BZ PV YHXIWH GMXP XP VHLBPXHA RXP, YQG MW BZ YHXIWH JBIW RBPQGWZ UVPFWH. - HXUEM SXULV WRWHZVP

Yesterday's CRYPTOQUOTE: STRIVE NOT TO BE A SUCCESS, BUT RATHER TO BE OF VALUE. ALBERT EINSTEIN

A XYDLBAAXR is LONGFELLOW

ENDS

One letter stands for another. In this sample, A is used for the three L's, X for the two 0's, etc. Single letters, apostrophes, the length and formation of the words are all hints. Each day the code letters are

different.

The fall from prestige



ANIKA HOSSAIN

N the fifth of November an incident occurred on the campus of Dhaka University that elicited an outrage among many. Renowned photographer Imtiaz Alam Beg and his two nieces were brutally assaulted by a group of students, later identified as members of the Chhatra League. They were on a visit to the campus, near Curzon Hall when the attack took place, without provocation. Alam received six stitches to the head and his nieces were thrown on the ground and kicked mercilessly, their clothes ripped in the process. Outrageous as this incident is, unfortunately, it isn't the only one of its kind that has taken place in this prestigious university. Over the recent years, there has been a growing culture of crime in the Dhaka University area, perpetrated by Chhatra League members who are allegedly outside the control of their leaders. Incidents of muggings followed by assault have been widely reported, harassment of women, both students of DU and outsiders, is also rampant. Furthermore, there have been at least five incidents since January this year, of contract abductions, where the victims who are usually businessmen or from wealthy backgrounds have been locked up in Chhatra League dormitories and tortured till ransoms had been paid for them.

The place that was once the pride and joy of all Bangladeshis, a heritage site, where many a famous talent began its journey, has now been reduced to a hunting ground for the worst criminals. The number of arrests following these incidents have been few and the punishment negligible. A year of suspension for the abductions and a mere 4 months for physically attacking women is hardly setting an example for the perpetrators. The lack of accountability and severe consequences is perhaps the main reason the nature of the crimes are becoming more open and violent. The students of Dhaka University have failed to come forward with eye witness

accounts either for fear of repercussion, as very little security is provided for them on the campus, or because they have witnessed enough incidents to become apathetic to the happenings around them. Following Beg's incident, many

students have placed blame on the victims, commenting on their clothes and attitude. The lack of empathy for the victims and understanding of this volatile situation on the campus was displayed yesterday at a protest at the Shaheed Minar about the November 5th incident. The protesters, who had taken prior permission from the university authorities for their gathering, were met with resistance from Chhatra League activists under the general students' banner. These students stood where the protest was originally to take place, loudly jeering and throwing bottles at the protestors. They sang the national anthem in attempts to drown out the voices of the protestors, without regard for the disrespect such an act entails. Despite the requests of the university Proctor for them to disperse and allow the protest to carry on peacefully, they continued their disruption, made lewd comments to the female protesters, followed them and tugged at their clothes. Are we to believe that the administration is hostage to these BCL activists, or are we to assume that it's simply unwilling to take a strong stance on the matter even though it reflects poorly on the reputed institution.

This blatantly shameful display by some Dhaka University students at a public gathering, on government-owned property, was unexpected and shocking to say the least. It shows just how much the values of the university have deteriorated over the years. It is high time the government and the DU authorities take heed of the disrepute these incidents have caused, and take the proper corrective measures to ensure the safety of anyone, whether student or visitor, who steps into the campus.

The writer is a Feature Reporter and Subeditor of the Feature Section of The Daily Star.

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