

Policy push to help small IT companies

ICT can help fight graft

TWO individuals and five local IT firms were awarded The Daily Star, in association with Bangladesh Association of Software and Information Services (BASIS) and *The Daily Star* for their outstanding contribution to the fast growing Information and Communication Technology (ICT) industry. The growth of the industry is very encouraging and with thousands of new graduates to join the ranks of an ever-increasing number of small start-up companies, the country is set to cross the USD 1 billion mark in annual sales (both domestic and export combined) in the very near future. What was found was that a significant portion of the winners represented the youth of this country and many were start-up companies, i.e. this is their first business venture and the time has come for a specific policy to help these small companies to have access to finance.

Today, we find a new breed of entrepreneurs working alongside established ones in introducing technology that allow ease of services to a wide range of customers. People today can pay their bills, fees, make online purchases from the comfort of their homes and more importantly, avoid facing red tape that entail corrupt practices. Policymakers are confident that access to information and services through ICT will inevitably create the conditions where corruption can be checked effectively. As we go increasingly digital, the wheels of government are also starting to adopt measures like e-tendering, which when implemented properly slams the door on corrupt practices. While we recognise the young and the established movers and shakers of the ICT industry, the sector can only continue to flourish if the right policy framework is put in place to encourage and not discourage our young, micro-entrepreneurs in the ICT sector.

This could have been avoided

Loss of fish species from Halda river

A study financed by the fisheries and livestock ministry has found that in the last seven years the Halda river has lost 26 of its fish species. The research found alarming causes for the loss of these species, chiefly: unplanned development, proximity of industries, dumping of industrial waste, and sand extraction. Over the years we have written about each of these issues and the loss of marine life in the river serves as example of the consequences such irresponsible practices can cause.

According to experts, Halda was home to at least 76 fish species in 2009. Within such a short span of time, about one-third of the fishes are now lost. This not only affects the livelihood of fishermen, but the biodiversity and ecological balance of the Halda. That development near the river has been unplanned and without any thought of its adverse effects that are evident from the study. A major cause of the loss is the building of dams, which has resulted in fewer planktons and reduced flow of water. Another example is of the permanent government ban on fishing permanently in parts of the water from 2010. Although this must have been done for a good reason, the lack of planning has meant the increase of one variety of fish which breed in huge numbers and thus reduce the amount of food for other species.

Finally, the lack of oversight, regulation, and implementation of existing laws to protect the river from illegal sand extraction and dumping of waste from nearby tobacco factories have added to the woes. Sadly, Halda is not the exception when it comes to these issues. We hope the study gives impetus to renewed efforts by the authorities to save our rivers and their biodiversity—after all none of the causes which led to the loss of fish species were unavoidable.

LETTERS TO THE EDITOR

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Teachers' hunger strike

In public primary schools, the preliminary teaching position is that of an assistant teacher. Many assistant teachers end up retiring after decades without any promotion. Few of them can become head teachers. That is why I support the hunger strike—which was recently called off—of primary school teachers.

The government should create a new rule that after a certain period, an assistant teacher will be promoted and employed in other areas of education development such as training, curriculum, research, and education administration.

Md Tofazzel Hossain, By email

The unending drug problem

The number of drug addicts has increased dramatically in Bangladesh. A survey carried out last year found about seven to eight million drug addicts in the country. One of the reasons why the number of drug addicts has increased is the availability of drugs. With the Rohingya crisis in the Bangladesh-Myanmar border, the area has become a hotspot for the drug business.

The government should launch a crackdown on illicit drug businesses across the country. Those who are involved in such activities should be brought to justice. The border areas used to traffic drugs into Bangladesh should be strictly monitored and sealed.

Biplob Biswas, By email

DHAKA STOCK EXCHANGE IN 2017

Buoyant but not resilient



SHARJIL HAQUE

market has been in the doldrums for several years. To be sure, there were occasional rallies. But they fizzled out pretty quickly. There was hardly any real or discernable upward trend in the general market index for a long time.

Then again, to some extent, 2017 was different. We observed perhaps the longest rally in recent times, which eventually catapulted the benchmark market index (DSEX) over the psychologically-vital threshold of 6,000. The DSEX kicked off the year at 5,083, and climbed to a lofty height of 6,186 as of December 27. Apart from one notable correction in April, the market index sustained a predominantly upward trajectory. The index gained by around 21 percent, and if we take into account disbursement of cash dividends, total return will exceed 25 percent. Not bad for an economy where one-year risk-free rate is only 4.5 percent.

If anyone is keeping count, the average volume of trading activities and market capitalisation increased by around 40 and 22 percent respectively in 2017 compared to last year. So there's no doubt that we saw an unprecedented increase in participation and injection of fresh funds this year. Is this a favourable sign of a more resilient market performance?

For the most part, the recent rally was driven by the banking sector, which holds just over 21 percent of total market capitalisation (total value of all shares trading in the market). A banking-sector index, constructed in the same spirit as the general market index, showed us that the sector generated more than 50 percent return this year. Similar sector-specific indices reveal that non-bank financial institutions, pharmaceuticals and telecommunication gained handsomely as well. So at least arithmetically, the source of the overall rally is understood easily enough. After all, these three sectors constitute another 40 percent of total market capitalisation.

The economics of the rally, however, is less straight-forward. No doubt the prevailing political calm and low interest-rate conditions laid the foundations for

market buoyancy. What is perplexing though is the sharp increase in turnover in bank stocks. At a time when the country's banking sector is in shambles, there is little economic justification for rapid inflow of money into this sector. No one needs reminding that bank balance sheets continue to deteriorate, with the central bank's ability to autonomously regulate the sector severely constrained. And to make things worse, a parliamentary body recently recommended passing the Bank Companies (Amendment) Act-2017 allowing greater number of directors from a single family in a bank's board as well as increasing their tenure. Common sense dictates that such regulatory changes will worsen the perennial problem of non-performing loans.

While we can see a logical case for sponsor-directors of banks to invest heavily in the market as they expected the

stocks. And of course the market has long been a haven for so-called gamblers

of gamblers. We see the obvious disconnect between stock price



and/or some unscrupulous individuals to park black money.

Almost characteristic of our stock market, we observed episodes of unusual price hikes of certain manufacturing companies that are fundamentally even weaker than some banks. So much so that companies with face value of Tk 10 traded at prices several times higher than that. To make matter worse, some "Z" category shares (think of these as junk companies) displayed similar price movements. Herein lies the need for greater regulatory support so that we can weed out opportunistic gamblers looking to make quick profits.

The less said about regulatory support the better. We are yet to see the Securities and Exchange Commission strengthen its monitoring and enforcement system adequately enough to reduce malpractice and improve corporate governance. That 2017 saw the lowest number of Initial Public Offerings (IPO) was essentially due to new rules which lowered financial incentives for companies and made the IPO approval process even more tedious. Data from Dhaka Stock Exchange shows us that this is the only year during the 2009-2017 period when the number of IPOs fell below double-digits: it was seven to be specific. So much for encouraging companies to rely on the capital market to raise funds instead of just banks.

Another area where regulators made little progress in 2017 was bringing more quality stocks to the market. Attracting multinationals to the market must be at the top of regulator's priority list since it will build confidence of genuine investors, raise market liquidity, attract foreign investment and reduce influence

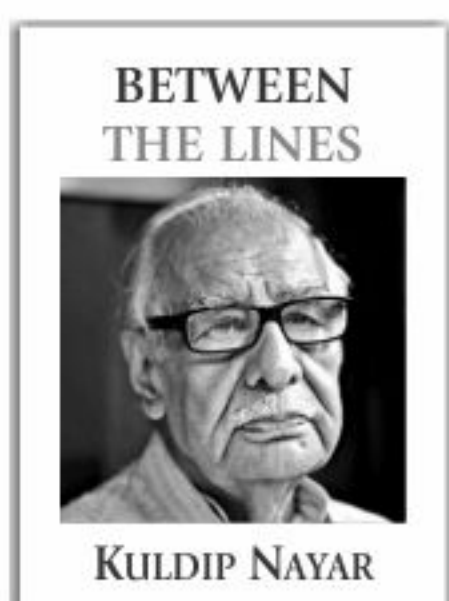
movements and economic conditions and remain convinced that listing multinationals from sectors like Telecommunication, Financials, Energy and Packaged Consumer Goods will help mitigate this problem. We must remember that these foreign firms are here because there is a growing and profitable market here. But as long as they restrict their profits to a hand-full of employees and owners, they end up contributing to income inequality. Only when they offload 15-20 percent of their shares in the market will the common people enjoy some of their hefty profits.

So what does all this mean for the year 2018? While this year's rally appeared more buoyant than those seen in previous years, it still lacks resilience. Specifically, it remains delinked from economic fundamentals and vulnerable to short-term traders and corrupt individuals looking to make quick money at the expense of genuine or uninformed investors. The upshot is that investors should certainly not get used to the idea of 20+ percent return from the market every year. True, if the government does try to artificially prop up stock prices, the market might still have some way to go. But the scenario can change quickly if and when interest rates rise for some reason. And those who ingenuously took debt to invest in stocks without carefully looking at company financials, business model and management integrity might be the first to count losses.

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Another lost opportunity

The meeting of Kulbhushan Jadhav and his family was a missed chance that could have been used to foster better relations between India and Pakistan



BETWEEN THE LINES

KULDEEP NAYAR

been an opportunity to foster better understanding between the two countries. But the bureaucracy on both sides is contaminated to the last tier of administration that it spoils any effort towards a better relationship.

After 21 months' pressure by many, including international organisations, Jadhav was allowed to meet his family members. But the Pakistani bureaucracy saw to it that the meeting would not go well. It was somebody's brainwave which resulted in placing a glass between Jadhav and his family members. Even his wife's *mangalsutra*, which married Hindu women wear, bangles and *bindi* were ordered to be removed. What purpose this act served is beyond comprehension. After all, *mangalsutra* and bangles cannot be a weapon by any stretch of the imagination. They are mere symbols of a married woman.

Pakistan's bureaucrats know this because till the other day they were a part and parcel of the same system. Their act was nothing but an expression of hostility towards India. Nobody told them to behave in this manner. They have had this habit since partition. Perhaps the bureaucrats were also worked up because the International Court of Justice (ICJ) at The Hague had stayed his execution.

Jadhav, according to Pakistan, was arrested in March last year for alleged espionage and terrorism while straying into Balochistan province. Soon after, a military court sentenced him to death for alleged involvement in spying and subversive activities. India had contended he was kidnapped from the Iranian port of Chabahar and his secret trial was a "farce".

India, appealing in ICJ, described Jadhav's trial as a "serious miscarriage of

justice" because Indian diplomats were not granted consular access to him and he wasn't allowed to choose his own defence lawyer. New Delhi argued that the restrictions imposed by Pakistan amounted to a breach of the 1963 Vienna Convention on Consular Relations.

Pakistan, however, claimed the ICJ did not have the jurisdiction to take up Jadhav's case as it was a "national security" issue and that the court did not need to issue an order to stay his execution because it wasn't imminent. However, the ICJ concluded it has "*prima facie* jurisdiction" as Islamabad's alleged failure to provide "requisite consular

tribunal said it would remain "seized of the matters" which form the subject of its order until it gives its final judgment. The order came after India and Pakistan presented their arguments in the case of Jadhav. This has further strained bilateral relations between the two countries.

Pakistan retains a semblance of democracy and former Prime Minister Nawaz Sharif, who presides over the administration with the blessings of the army, is well-disposed towards India. He probably recalls his proximity with then Indian Prime Minister Atal Bihari Vajpayee. The two had reportedly found a solution to the Kashmir problem. But the



Former Indian Navy officer Kulbhushan Jadhav's mother and wife meet him while seated across a glass partition at the Pakistan Foreign Office in Islamabad. PHOTO: PTI

notifications with regard to the arrest and detention" of Jadhav and "the alleged failure to allow communication and provide access to him" fell within the scope of the Vienna Convention.

Ronny Abraham, president of the United Nations' highest court in The Hague, said: "Pakistan shall take all measures at its disposal to ensure that Mr Jadhav is not executed pending the final decision in these proceedings and shall inform the court of all the measures taken in implementation of the present order."

In its "provisional measures" that were adopted unanimously, the 12-judge

formula was never made public.

Ultimately everything depends on the relationship between the two countries. In a friendly atmosphere, the two could have gone ahead despite the impediment of Kashmir. Had the relations been amiable, the meeting of Jadhav and his family would have been hailed. Pakistan would not have used the pretext of security precautions and the cultural and religious sensibilities of his family members would have been respected. Even Jadhav's mother was prevented from talking in their mother tongue, Marathi, although this was clearly the

natural medium of communication in a situation like this.

This would not have been disapproved by Pakistan Prime Minister Shahid Khaqan Abbasi who is said to be seeking normal relations with India. In fact, Pakistan's domestic politics must be coming in the way. After Pakistan's Supreme Court indictment of Nawaz Sharif on accountability, politicians there are lying low and have lost their voice.

But things are different in India. Here, one person, Prime Minister Narendra Modi, is in control of the administration even though his decisions tend to be dictatorial. His government should have seen to it that the destiny of Jadhav is not left to the squabbles among the states. New Delhi needs to explore an alternative mediation, probably by the civil social institutions. But, unfortunately, Modi's priority is to bring Hindutva through the backdoor and he has very little time for problems such as Jadhav.

India has put another condition for normalising relations with Pakistan. Islamabad should give an assurance that Pakistan would not be a shelter for terrorists. This would be hard to implement because all stakeholders are not beholden to Islamabad. Balochistan is trying to secede and this is the place from where Jadhav was reportedly picked up for "espionage."

New Delhi has assured many a time that it considers the integrity of Pakistan as important as the integrity of India. When Hafiz Muhammad Saeed, categorised as a terrorist by the UN, starts his own political party, it is clear that Pakistan is helpless in curbing his activities. The preamble to any good relations with India is some kind of action against the mastermind of Mumbai attacks. But Islamabad is too weak to take any firm action against him. Bilawal Bhutto, son of Benazir Bhutto, is beginning to control Pakistan People's Party. But he has no other credentials except being the son of the late Prime Minister Benazir Bhutto. Asif Ali Zardari still calls the shots and this is not liked by many in the PPP. In the face of such a situation, the fate of Jadhav is unpredictable.

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