Visitors are seen in front of various booths at the "Investment Expo 2023", organised by the Foreign Investors' Chamber of Commerce and Industry to celebrate 60 years of its journey at the Radisson Blu Dhaka Water Garden yesterday.

PHOTO: SK ENAMUL HAQ

Harnessing benefits of short selling

MD ASHEQUR RAHMAN

The global financial stage witnessed two starkly contrasting approaches to short selling recently as South Korea and the Philippines charted their courses.

South Korea implemented a comprehensive ban on short selling until June 2024, marking the second time in two years such a measure has been taken. The Financial Services Commission cited the need to stabilise the market and protect investors.

Notably, the timing of this ban, just ahead of general legislative elections, suggests political motivations in response to retail investors' protests. With one in five Koreans holding a trading account, this political undercurrent adds complexity to South Korea's short selling ban.

In stark contrast, the Philippines embraced short selling as part of a broader effort to enhance stock market trading and liquidity. Ramon Monzon, president of the Philippine Stock Exchange, emphasised the importance of short selling in hedging against economic and political uncertainties.

The Philippines faces challenges, including a nearly 40 percent drop in daily stock transactions over the past decade and a sixth consecutive year of declining foreign equity investments, a situation eerily similar to Bangladesh's Stock Market.

These disparate approaches illuminate the multifaceted nature of short selling, presenting both benefits and ethical concerns.

Bangladesh, where the capital market relies on long equities, lacks efficient risk-hedging mechanisms. To address this gap, the introduction of financial instruments like exchange-traded funds, index futures, and short selling, legislatively enabled but awaiting supporting infrastructure, is essential.

Short selling involves speculating on a security's price decline. It boosts market liquidity, promotes efficient stock pricing, and acts as a check on market manipulation, preventing sudden rises of "bad" stocks and correcting irrational overpricing. Additionally, short selling serves as a risk management tool, enabling investors to hedge against potential losses associated with long positions.

However, the crucial aspect for regulators in embracing short selling is to eliminate "naked short selling," where shares are sold without borrowing or locating them first. This practice, a major reason behind South Korea's troubles, introduces significant risks, including market manipulation, counterfeiting, and increased volatility, disproportionately impacting investors.

As Bangladesh contemplates a short selling policy, a conservative yet prudent approach is vital. The introduction of short selling has transformative potential, increasing efficiency and liquidity while mitigating excessive risk-taking.

Regulations and supervision are paramount to preventing market abuse and fraud, with a focus on prohibiting naked short selling. For this, collaboration among regulatory bodies is crucial.

Simultaneously, the archaic floor price rule, which artificially prevents stocks from falling below a specific price, must be abolished to encourage transparent market dynamics, reduce price distortions, and stimulate trading activity.

Globally, short selling is approached diversely, with South Korea opting for a politically motivated ban, and the Philippines embracing it for trading enhancement. As Bangladesh formulates its strategy, a delicate balance between innovation and regulation is necessary.

Avoiding the risks associated with naked short selling while harnessing the benefits of short selling can stimulate growth, instill investor confidence, and establish a resilient foundation for Bangladesh's financial future. Through these deliberate measures, Bangladesh can navigate short selling to foster a robust financial future.

The author is managing director of Midway Securities Ltd.

Helsa Icon to invest $1m in Adamjee EPZ

STAR BUSINESS REPORT

Helsa Icon Bangladesh Ltd, an India-Germany owned joint venture company, will invest $1 million and set up a garments accessories manufacturing industry inside Adamjee Export Processing Zone in Narayanganj.

The company will produce 10 million pairs of shoulder pads and 0.75 million pairs of sleeve heads every year, Bangladesh Export Processing Zones Authority (Bepza) said in a statement yesterday.

Helsa will create employment opportunities for 126 Bangladeshi workers with this new investment, according to the statement.

Ali Reza Mazid, member for investment promotion at Bepza, and Aartee Patil managing director of Helsa Icon Bangladesh Ltd, signed an agreement in this regard at a programme at Bepza Complex in Dhaka.

Major General Abul Kalam Mohammad Ziaur Rahman, executive chairman of Bepza; ANM Foyzul Haque, executive director for administration; Md Tanvir Hossain, executive director for investment promotion, and Md Khorshid Alam, executive director for enterprise services, were also present at the signing ceremony.

Green growth needs to be cost-effective

Experts say at a seminar

STAR BUSINESS REPORT

Lack of policy support and awareness, huge capital requirements, lack of incentives, and a lack of expertise regarding green technologies are the main barriers to implementing a green value chain in Bangladesh, experts said at an event yesterday.

In order to combat such issues, the government can give various incentives to green companies, including monetary and tax incentives alongside social incentives, said Abul Kalam Azad, a co-chair of Smart Bangladesh Network.

"Green growth must be cost-effective, otherwise, it is impossible (to implement)," Azad said.

"People do business to make money, if green activities are more costly, how will they make money?"

Azad made these comments while speaking as chief guest during a discussion on the green value chain.

The event was organised by the Foreign Investors' Chamber of Commerce and Industry at its "Investment Expo 2023", designed to celebrate 60 years of its journey at the Radisson Blu Dhaka Water Garden.

Zaved Akhtar, chairman and managing director of Unilever Bangladesh, moderated the session while Yasir Azman, CEO of Grameenphone, Stefal Liller, UNDP resident representative, and Mohsina Yasmin, executive member of Bangladesh Investment Development Authority, also spoke.

Green value chains involve responsible and environmentally-friendly sourcing, operations, and distribution, which has environmental, economic and social benefits, said Prof Imran Rahman, vice-chancellor of the University of Liberal Arts Bangladesh while presenting the main presentation.

Responsible sourcing is sourcing of raw materials, packaging materials and agricultural inputs from sustainable producers while responsible operations include the use of renewable energy, waste reduction and water-saving measures, and introducing effluent treatment plants.

Main barriers to greening include a lack of harmonisation, awareness, access to finance, coordination between government agencies and expertise on green technologies, says an expert

Rahman said the main barriers to greening were a lack of harmonisation, awareness, access to finance, coordination between government agencies and expertise on green technologies alongside unaddressed energy security concerns, weak monitoring system and no set environmental goals.

The government can take fiscal measures by providing tax incentives and addressing anomalies in the tax system. For instance, at present, recycled paper has a higher duty than non-recycled paper, he said.

There should be some platforms where all business leaders can sit together with policymakers and carry on conversations, said Nihad Kabir, chairperson of Business Initiative Leading Development, a private sector think-tank.

The new generation also needs to be included in the dialogue, she said.

Greening should be built into business processes because providing incentives from the top will not have a significant effect in the current context.

Meanwhile, market demand for green products is growing and consumers are reluctant to buy products if the production process is not sustainable.

"We should not allow greening to be the next non-tariff barrier for us," added Kabir.

Greening in SMEs is still at a nascent stage in the nation as access to finance remains a major issue alongside a lack of awareness, knowledge, and skills, said Md Sameer Sattar, president of the Dhaka Chamber of Commerce and Industry (DCCI).

He also questioned whether the extra funds that are needed to adopt sustainable measures should be treated as a cost or an investment.

"At this stage, it seems to be a cost. It will only be an investment when buyers pay a higher price for adopting sustainable processes," he said.

"We have a large number of green RMG factories, so the right intention is being shown. However, they are not getting higher prices for that," he added.

Azad recommended that firms try to reduce the use of plastic, produce power through rooftop solar panels, conduct research, and build a skills base.

The private sector can form a policy guideline to make a green value chain easier to achieve and then go for proper advocacy, he added.

INVESTING IN CHINA

Japanese firms interested yet wary

ANN/THE JAPAN NEWS

An increasing number of Japanese companies have shown interest in entering the Chinese market, although they remain wary because of the stagnant economy and the country's harsh anti-espionage law, which greatly expands the scope of what China considers espionage.

With the Chinese economy remaining sluggish due to the real estate market crisis and other factors, China has made the attracting of foreign investment a main component of its economic policy.

Japanese investment in China currently ranks fifth among all countries or regions at 2.4 percent of total foreign investment. If investments through Hong Kong are included, the percentage can be seen to be significantly higher.

This spring saw the resumption of intergovernmental dialogue, economic activities and travel between the two countries. A source close to the Economy, Trade and Industry Ministry estimates that "more than 100 local governments have made visits to Japan to attract investment."

Japanese companies continue to keep a watchful eye on the world's second largest market.

Panasonic Holdings Corp President Yuki Kusumi said in early November that the company intends to expand investment in China, saying, "China will always be one of the most important areas for us."

A delegation from the Japan-China Economic Association, a group of Japanese business leaders, is expected to visit Beijing for the first time in four and a half years this coming January, looking to discuss the further strengthening of relations with Chinese government leaders.

A view of the King Abdullah Financial Centre in Riyadh. Announced in February 2021, Saudi Arabia's regional headquarters programme is widely seen as a bid to compete with Dubai in the neighbouring United Arab Emirates.

PHOTO: AFP/FILE

Foreign firms race to open Saudi offices

AFP, *Riyadh*

A wave of ribbon-cutting ceremonies is sweeping the Saudi capital as multinationals face a January deadline to open regional headquarters in the Gulf kingdom or lose out on government contracts.

In what has become a common scene, executives in suits and Saudi officials in white robes gather to inaugurate the new offices, sipping Arabic coffee in a haze of incense smoke while singing the praises of last year's fastest-growing G20 economy.

Announced in February 2021, Saudi Arabia's regional headquarters (RHQ) programme is widely seen as a bid to compete with Dubai in the neighbouring United Arab Emirates, a favourite base for global firms with business in the Middle East.

Despite complaints from some executives that there

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