

## Dhaka-Colombo FTA to benefit both nations

### Sri Lankan envoy tells FBCCI chief

#### STAR BUSINESS REPORT

A free trade deal between Bangladesh and Sri Lanka should benefit both the countries, Sri Lanka High Commissioner Gamin S Munasinghe said in Dhaka yesterday.

Expressing his optimism about the outcome of free trade agreement (FTA), he said the deal would pave the way for greater economic cooperation between the two countries.

Munasinghe said this when he called on Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Abdul Awal Mintoo at the federation office.

They discussed matters relating to expansion of bilateral trade, investment and economic cooperation as well as the FTA negotiations beginning in Dhaka tomorrow.

Citing their free trade arrangement with India as an example the Sri Lankan envoy said during the pre-FTA trade, Sri Lankan export to India was worth \$34 million, which increased to over \$200 million in 2003, in a span of only three years.

"During pre-FTA times only 1,300 tourists from India visited Sri Lanka and in 2003 tourists from India will exceed 125,000," he observed.

The high commissioner said Bangladesh can export cement and pharmaceuticals to Sri Lanka taking the opportunity of the huge demand of these products in the Indian Ocean island nation.

"As peace is taking shape in Sri Lanka, there would be a boom in the

construction industry, creating a huge demand for cement. Bangladeshi cement can fulfil the demand," he said.

About trade and commerce between Bangladesh and Sri Lanka, Munasinghe mentioned non-interaction between business communities of the two countries as a drawback, which can be reduced through frequent visits.

The high commissioner said his country produces huge quantity of rubber mattresses and other rubber products which could be exported to Bangladesh. He invited

Bangladeshi businessmen to make joint venture investment in this sector.

Abdul Awal Mintoo said Bangladesh also produces a plenty of raw rubbers and Sri Lanka can help Bangladesh to develop the sector. He invited Sri Lankan businessmen and experts to visit Bangladesh for setting up joint venture rubber industry here.

The FBCCI president, recalling his visit to Colombo, identified absence of direct air link between Bangladesh and Sri Lanka as one of the main constraints on enhance-

ment of trade and investment between the two Saarc countries.

"Bilateral trade between Bangladesh and Sri Lanka is not satisfactory," he said requesting the high commissioner to take necessary initiatives to expand trade and facilitate direct air link for the benefits of both the countries.

Mintoo mentioned that a delegation of Bangladesh will visit Sri Lanka from November 30 this year to attend the Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation (BIMSTEC) conference.



Sri Lankan High Commissioner to Bangladesh Gamin S Munasinghe calls on Federation of Bangladesh Chambers of Commerce and Industry President Abdul Awal Mintoo at the latter's office in Dhaka yesterday.

## Midas Financing declares 8pc dividend

Midas Financing Limited has declared an eight per cent dividend in the form of bonus share for its shareholders for the year 2002-03.

The dividend was declared at the 8th annual general meeting of the financing company held in Dhaka recently, says a press release.

The meeting, presided over by Midas Financing Chairman Md Ikramullah, was attended by Directors Samson H Chowdhury, Lailun Nahar Ekram, Shaikh A Halim and Mujibur Rahman and Managing Director Abdul Karim.

## Repo auction

UNB, Dhaka

The Reverse Repo auction of Bangladesh Bank for commercial banks and financial institutions was held here yesterday.

Two bids of 2-day tenor amounting to Tk 240.00 crores were received and accepted.

The rates of interest against the accepted bids ranged from 2.40 to 2.50 per cent per annum, said a press release of the central bank.

## Tata Steel first half net profit surges 153.7pc

AFP, Bombay

Leading Indian private steelmaker Tata Steel on Thursday beat expectations by posting a 153.7-per cent rise in first half net profit to 6.7 billion rupees (146.28 million dollars).

Sales in the six months to September rose to 48.70 billion rupees from 38.43 billion a year earlier, company figures said.

For the three months ended September, Tata Steel's net profit rose 101.5 per cent to 4.03 billion rupees from 2.0 billion a year earlier and net sales rose to 26.12 billion rupees from 20.78 billion.

Many Indian old-economy sectors, particularly steel and cement, have boomed in recent months in hopes of expanded construction on the back of a healthy monsoon, which followed a drought last year in key agricultural states.

Tata Steel's share price rose 17.30 rupees or 5.23 per cent Thursday on the Bombay Stock Exchange to close at 347.90.

## IMF sees cautious recovery for French economy

REUTERS, Washington

France's economy should make a gradual, if tentative, recovery by the end of 2003 after bordering on recession in the first half of the year, the International Monetary Fund said Wednesday.

The IMF said in a review of the French economy that its gross domestic product should expand to 2 per cent in 2004 from about 0.3 per cent in 2003.

The prolonged global slowdown has not spared the French economy," the IMF said in a statement. "However, with the impact of adverse shocks waning and external demand conditions improving, a gradual recovery is expected to take hold toward end 2003," it added.

But it said the recovery could be slowed by setbacks in the broader global recovery, further adjustments in corporate balance sheets and France's weak employment outlook.

Consumer prices should rise 2 per cent in 2003 compared with 1.9 per cent last year with inflation remaining benign, reflecting slack in the economy and a stronger euro, it said.

## Australia's trade deficit widens 16pc in Sept

AFP, Sydney

Australia's monthly trade deficit expanded by 16 per cent in September as imports outstripped exports for the 22nd consecutive month, official figures released Thursday showed.

The Australian Bureau of Statistics said the trade balance for goods and services in September was in deficit by a seasonally-adjusted 2.278 billion dollars (1.572 billion US), compared to 1.968 billion dollars in August.

Economists had predicted the trade deficit would narrow as an improving world economy increased demand for Australian commodities and the rural sector recovered from the worst drought on record.

But an 11 per cent rise in rural goods exports was not enough to outweigh a three per cent increase in overall imports during the month.

## Local firm to process DV 2005 data

#### STAR BUSINESS REPORT

A local information technology company has obtained the job of processing data collected from around the world under the DV (Diversity Immigrant Visa) 2005 Programme of the United States.

Orient Technologies Ltd, the lone Bangladeshi company to get the job, has set up a central data processing centre at Gulshan in Dhaka to perform the work.

Science and Information and Communication Technology (ICT) Minister Abdul Moyeen Khan yesterday formally inaugurated the centre.

The centre equipped with some 250 computers will process data of 2.5 million applicants. "We'll add 250 more computers shortly," a company official said.

This year the US Department of

State will only accept completed electronic diversity visa entry forms submitted electronically at the DV lottery web site during the 60-day registration period beginning tomorrow. Paper entries will not be accepted.

According to Manjur Mahmud, managing director of Orient Technologies, the company has obtained a franchise from DV Services USA Incorporated, one of the America's 30 private sector companies involved in data processing for DV programme.

DV Services USA has such franchises in 17 other countries around the world.

Orient will use oracle based 'zero defect auto correction' software, which was provided by DV Services USA to process data to be collected from Malaysia, Singapore, Saudi

Arabia, Nepal and some East European countries.

Orient has made partnerships with two other local companies-- Agni Systems for online solutions and Access Pvt Ltd for systems integration-- to set up the centre that created jobs for some 700 people, Mahmud told The Daily Star.

Speaking at the function the science and ICT minister said it is very tough to do something for the development of the country's ICT sector as a very little amount of money are sanctioned for the ministry in annual budget.

"Only Tk 75 crore has been allocated for the ICT ministry this fiscal where the amount is Tk 1,000 crore in Pakistan," the minister said.

## Dollar firm against taka

BSS, Dhaka

The US dollar remained firm against the Bangladesh taka yesterday on strong demand from importers but slid back to recent three-year lows against the yen due to concern over the Japanese intervention, dealers said.

The dollar traded between 58.4450 taka and 58.4550 taka to the dollar in line with its previous closing on Wednesday, dealers of different commercial banks said.

Pressure for import payments was higher and some dealers had to bought dollar to replenish their nostro accounts ahead of weekend holidays both in local and international markets, dealers said.

The local market will enjoy weekend holiday on Friday while most overseas markets will remain close on Saturday and Sunday.

The volume of foreign currency trade was higher but dealers remained very cautious about the

yen trade due to fear of intervention, dealers said.

According to market sources, Japan intervened in the foreign exchange market from early Tuesday to late Wednesday. Many traders say the Bank of Japan probably bought the dollar around and below 108 yen when it was hitting new three-year lows.

Japan has thrown more than 13.5 trillion yen at the currency markets so far this year, fearing a rise in the currency would jeopardise Japan's export-led recovery.

Meanwhile, the dollar slid back towards recent three-year lows against the yen with markets nervous US Treasury Secretary John Snow would criticise Japan in a Senate testimony for trying to curb yen strength, dealers on online trading said.

They said Snow testifies at 1500 GMT on exchange rate policy. Any explicit mention of Japan's recent yen selling/dollar buying forays

would underscore concern Washington is looking for a weaker currency.

The risk is the dollar could weaken on any such comments, dealers said.

The dollar was down a third of a per cent at 108.02 yen in late inter-bank trade, just a whisker above three-year lows hit on Wednesday.

The euro also succumbed to yen strength, toying with eight-week lows near 126.00 yen. The single currency was steady against the dollar at \$1.1670 as dealers waited not only for Snow's testimony but for key CS data later in the day.

US gross domestic product data for the third quarter is due at 1330 GMT and is expected to show growth of six per cent or more. Weekly jobless claims are also due for release.

## Call money rate slightly higher

BSS, Dhaka

The call money rate was slightly higher but yesterday but the demand for cash and credit was lower from both private and public sector, fund managers said.

The call money rate ranged between 3.50 per cent and 4.50 per cent slightly higher than Wednesday's level, they said.

Fund managers said the demand for call money remained very low as most banks have surplus funds due to low credit and investments driven by high interest rates and too cautious credit policies.

## National Polymer okays 5pc dividend

National Polymer Industries Ltd has declared a five per cent dividend for its shareholders for the year 2002-03.

The dividend was declared at the 16th annual general meeting of the company held in Gazipur on Sunday, says a press release.

Shamsul Abedin Akhand, chairman of the company, presided over the meeting.

## Russian ministry may up growth forecast to 6.3pc

AFP, Moscow

The Russian Economic Development Ministry could raise its 2003 growth forecast to 6.2 or 6.3 per cent from 5.9 per cent currently, the Interfax news agency quoted ministry second-in-command Arkadi Dvorkovitch as saying Thursday.

Over the first nine months of the year, Russian gross domestic product (GDP) grew 6.5 per cent, the vice-minister said.

The ministry has already raised its 2003 growth forecast several times due to a pick-up in industrial production.

The last time was in July when the it raised its estimate to 5.9 per cent from 5.4 per cent.

In 2002, the Russian economy grew 4.3 per cent.

In order to meet a target set by President Vladimir Putin in mid-May of doubling GDP over 10 years, Russia is will have to reach annual growth of 7.2 per cent.

## China defends economic growth figures as reliable

AFP, Beijing

China's official GDP growth of 8.5 per cent in the first three quarters of the year is reliable, the National Bureau of Statistics said Thursday, rejecting speculation growth is more like 10 per cent.

In a statement on its website, the NBS said the figure it released for the first nine months was "reliable and legally authentic," as it has not changed its calculation methods nor had it intentionally underestimated the numbers.

Against chorus of Chinese and international economists have recently argued the country's eco-

nomics boom was being under-reported by official statisticians.

They claim data released this year suggests China's headline growth figures are now failing to fully reflect the ongoing investment-led boom.

But the NBS cited six aspects that likely contributed to errors in analyzing figures by economists who speculated real gross domestic product (GDP) growth was in double-digits.

It listed the factors as industrial value-added output, decline in land passenger traffic, the SARS impact on the services sector, stagnant rural growth, fixed-asset investment

and electricity consumption.

The official industrial value-added output growth figure only refers to state companies and private companies with annual sales of more than five million yuan (602,000 US dollars), and does not cover private companies with annual sales of less than five million yuan, according to the NBS.

It said the industrial value-added output growth for state and big private companies in the first half was 16.2 per cent, while the figure was just 6.2 per cent for small private companies.

## Recovery to be uncertain if house prices dip: EU

REUTERS, Brussels

Europe's long-awaited economic recovery could be jeopardised if soaring house prices in some euro zone member states collapse, the European Commission warned Wednesday.

Irish, Greek, and Spanish house prices surged at a double-digit clip in 2002, with substantial, albeit smaller, property price increases also seen in Belgium, France and Italy. The EU executive did not make any mention of the threat from a possible fall in British home prices, but added house price inflation had slowed during 2003 and a rebound in equity markets should keep household balance sheets healthy.

Any sharp increase in interest rates that lifted mortgage repayment costs or a further deterioration in the labour market could trigger a sharp correction in house prices and act as a brake on consumption.

This could pose a key risk to the European economy, which is relying on domestic demand to pick up steam in 2004, the Commission said, echoing warnings issued in September by the International Monetary Fund.

"On the domestic side, one downside risk (to the latest EU forecasts) is represented by the effects on private consumption of a reversal in house prices in member States where valuations are very high," European Monetary Affairs Commissioner Pedro Solbes told a press conference.

The IMF had cited Ireland, the Netherlands and Britain as the EU countries particularly vulnerable to a home price fall.

The Commission said mortgage lending growth had been strongest in countries where house prices have risen most.

Prices had begun to decelerate in the Netherlands, whose economy is in recession, and in Ireland but both these countries as well Greece and Spain reported house price increases of more than seven percent in first two quarters of 2003.

This has seen households running up debts during an economic slowdown that has lasted far longer than policymakers had expected.

## Asian airlines need shakeup

AFP, Singapore

The Asian airline industry must prepare for major structural changes to capitalise on a projected surge in travel demand, Qantas chief executive Geoff Dixon said here Thursday.

Changes in the travel market, customer needs and the success of no-frills carriers are putting pressure on the industry to consolidate and innovate traditional business models, he said.

"The underlying pressures for structural change are intensifying on a daily basis... They result from changing market circumstances and customer requirements as well as the success of low cost airlines,"

Dixon said at a lunch speech organised by the Asia-Pacific Aviation Media Association here.

Dixon said several airlines have "found it necessary to review their business models, find greater efficiencies and look at opportunities for consolidation."

At the same time, he argued that government regulatory agencies are blocking the consolidation of the airline industry.

"Consolidation is necessary and inevitable. The stumbling bloc is outmoded regulatory frameworks," he said.

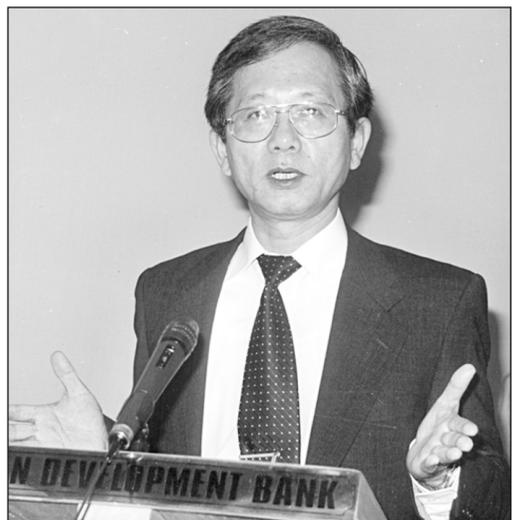
"National governments, through their regulatory agencies, continue to constrain the consolidation of airlines which is necessary for them

to achieve scale.

"Aviation should be moving rapidly down a similar path to industries like vehicle industry, manufacturing and telecommunications."

A proposed multi-million dollar alliance between the Australian flag carrier and Air New Zealand has been held up by regulators in the two countries, who deem the move against the public's interest.

"This case demonstrates that consolidation cannot happen without a regulatory mindset that is attuned to the big, long-term picture rather than the short-term impact on individual markets," Dixon said.



Toru Shibuichi, country director of Asian Development Bank (ADB), gestures as he speaks at the quarterly economic update launch ceremony in Dhaka yesterday. ADB said food price index in Bangladesh curved up four times in July 2003 compared to the same month last year.

## Mahathir sees 6pc growth until 2005

AFP, Kuala Lumpur

Outgoing Prime Minister Mahathir Mohamad on Thursday unveiled new measures to put more wealth into the hands of the country's majority Malays and predicted gross domestic product (GDP) would grow six per cent a year until 2005.

On the eve of his retirement after 22 years in office, Mahathir announced a 60 per cent quota in the award of procurement and contract works in government projects to competent Malays and other indigenous groups known collectively as "bumiputeras."

Presenting a mid-term review of the 8th Malaysia Plan which ends in 2005, he said a new investment institution would also be established, offering unit trust products to mobilise bumiputera resources and expand their investment opportunities.

Mahathir, who is also finance minister, said more efforts were needed to meet the target of putting at least 30 per cent of the country's wealth into Malay hands by 2010

due to the challenges of globalisation and greater market liberalisation.

The target is part of the New Economic Policy, an affirmative action program drawn up following bloody racial riots in 1969 to help Malays catch up with the wealthier Chinese minority by giving them preferences in business and education.

At the same time, Mahathir said bumiputera firms were "still too friable" and easily affected by economic turmoil.

Their equity share stood at only 18.7 per cent last year and their ownership of share capital grew an average 7.8 per cent over the past two years to 73.2 billion ringgit (19.26 billion dollars) in 2002, compared to Chinese ownership which grew at a faster pace of 11.2 per cent to 159.80 billion, he noted.

"We are not taking a step backward but if we don't have quotas, the bumiputeras may not get anything at all," he told reporters later.

## China, EU sign tourism agreement

AFP, Beijing

China and the European Union (EU) signed a tourism agreement Thursday that is expected to greatly facilitate the travel of Chinese tour groups to Europe, officials said.

The agreement was inked following Thursday's EU-China summit between EU President Silvio Berlusconi, European Commission President Romano Prodi and Chinese Prime Minister Wen Jiabao.

The agreement still needs to be ratified by the EU member states, with EU officials expecting finalization to come as soon as early next year.

The "authorised destination status" (ADS) agreement will simplify visa procedures for Chinese tour groups to Europe and also sets up a mechanism for repatriating illegal immigrants, officials said.

The China National Tourism Administration will be in charge of vetting potential tourists to Europe, including their financial resources.

China already has a bilateral ADS agreement with Germany, which has witnessed a significant increase in air travel from China since it went into effect in July 2002.

## Thai central bank raises 2003 growth forecast to 6.25pc

AFP, Bangkok

Thailand's central bank on Thursday raised its economic growth forecast for 2003 to 5.75-6.25 per cent from an earlier projection of 4.5-5.5 per cent.

Bank of Thailand assistant governor Bandit Nijathaworn said it had also raised its Gross Domestic Product (GDP) forecast for 2004 to 5.5-6.5 per cent from 5.0-6.0 per cent A

"In the first nine months (of the year) economic growth continued and there is momentum for further growth through the end of this year and into next year," he told a news conference.

The revision brings the central bank roughly in line with Thailand's National Economic and Social Development Board, which last month upped its 2003 GDP growth forecast to 5.8-6.2 per cent from 4.5-5.5 per cent.