

## US, China urged to swiftly tackle problems plaguing economies

AFP, Washington

The United States and China have to take swift steps to overcome their financial and investment problems before they spiral out of control and overwhelm mostly emerging economies, experts warn.

China is facing an unsustainable investment boom while the United States is running an unsustainable current account deficit, they said.

At a Washington conference Tuesday, American economist Morris Goldstein of the respected Institute for International Economics said if an emerging market financial crisis erupted now, it was likely to originate in the United States and China.

"I am glad to argue that the most

likely (reason if there is such a crisis) is an overlapping and greater-than-expected growth slowdown in China and the United States," said Goldstein, an ex-research deputy director at the International Monetary Fund (IMF).

China's economy grew 10.1 percent in 2004 and 10 percent the previous year and economists predict growth in 2005 would have hit up to 9.0 percent.

Economic growth in the United States has averaged a 3.6 percent rate over the last year.

Goldstein said "the main culprit" in China was "the unsustainably high share of fixed asset investment in its gross domestic product" while the looming threat in the United States was its huge deficit in the current

account.

A growth slowdown in the two giant economies -- as well as higher long-term interest rates -- would take a toll on emerging economies via trade links and commodity prices, external financing, exchange rate changes, and fiscal and monetary policies, he said.

"The Asian economies in particular have large links to China and the United States and a slowdown in these two huge economies would lead to an export-led growth slowdown in the regional economies too," Goldstein said.

China is reaching "important cross-roads," said IMF's research chief Raghuram Rajan.

"The export oriented strategy has carried it far, but it is unsustainable in the long run, if nothing

else because of external and domestic political constraints," he said.

"Similarly, investment cannot continue to increase as it has in the recent past," he told the American Economic Association in Boston, Massachusetts, earlier this week. The Washington-based Fund made his remarks public on Tuesday.

Rajan noted that investment in China was an unusually high 40 percent of GDP.

"There are concerns about the profitability of some of this investment, with many industries in overcapacity. The return on capital invested has been falling steadily," he said.



PHOTO: CITYCELL

Muhammad Musa, pro vice chancellor of East West University, and Intekhab Mahmud, chief commercial officer of Pacific Bangladesh Telecom Ltd, the owning company of mobile phone operator CityCell, exchange documents after signing an agreement recently. Under the deal, the university has become a corporate client of CityCell.



PHOTO: BANK ALFALAH

An official of Bank Alfalah Ltd presents a customer with a bouquet to mark the inauguration of the bank's Gulshan branch in Dhaka recently.

## Indian car parts industry to grow to \$40b by 2015

AFP, New Delhi

India's auto parts industry will record sales of 40 billion dollars by 2015 and become as important to the economy as the thriving software sector, Commerce Minister Kamal Nath said Thursday.

"The automotive components sector has as large a potential as our software sector," said Nath while inaugurating a six-day auto trade show in New Delhi.

"India has a 20 billion dollar auto component export potential by 2015," he said.

By the same year, the Automotive Component Manufacturers Association of India expects domestic demand to hit an additional 20 billion dollars.

"We are seeing the emergence of India as an important automotive destination," said A.K. Taneja, head of the association. "In the last five years we have seen an annual growth rate of 20 percent per year."

Taneja added that the auto parts industry is expected to be worth 10 billion dollars in the fiscal year ending March 2006.

It is fuelled by domestic car sales that passed the one million mark for the first time last year and by foreign outsourcing to India.

India's software sector is forecast to grow 25 percent a year by the end of the decade to 60 billion dollars, according to the latest estimates by the National Association of Software and

Service Companies.

Indian and foreign auto parts companies were out in force at the trade show, which has gathered 1,000 participants, including 300 foreign traders from 22 countries.

More than 40 German companies were present at the show, many for the first time.

"India is a good upcoming market so we decided to come here to learn more about the market," said Josef Minster, managing director of Schlemmer, which makes cable protection systems. "We are also looking for an agent or distributor."

Car manufacturers also voiced optimism on the Indian car market, even though growth slowed to 7.0 percent last year, down from 24 percent in 2004.

"We are very, very excited because the fundamentals for growth are in place," said V. Sivaramakrishnan, vice president of marketing and sales for Ford India, a subsidiary of Ford Motor Company, citing financing and better roads as boosting the industry.

"Interest rates are attractive and loans are available in places where they were not," Sivaramakrishnan said.

The Indian car market, the fourth largest in Asia, currently has a turnover of 19 billion dollars, and sales are expected to triple to three million vehicles in the next 10 years.



PHOTO: GRAMEENPHONE

Rubaba Dawla Matin, acting head of Marketing of GrameenPhone Ltd, poses for photographs after handing over checks for Tk 148,000 each to Qazi Rafiqul Alam, chief executive of Dhaka Ahsania Mission, and AKM Saifuzzaman, deputy general manager of Grameen Shikkha, at a function recently. Djuce, the youth brand of GrameenPhone, has contributed all the ticket sales money from the "Youth Lifestyle Fair" held in September 2005 to Ahsania Mission and Grameen Shikkha.



PHOTO: BANGLALINK

Mehboob Chowdhury, chief commercial officer of mobile phone operator Banglalink, hands over 2000 blankets to the representatives of Rotary International for the cold affected people of Rangpur and Kurigram at a function recently.

## Djuce donates money to Ahsania Mission, Grameen Shikkha

Djuce, the youth brand of mobile phone operator GrameenPhone Ltd, has contributed all the ticket sales money from the "Youth Lifestyle Fair" held in September, 2005 to Ahsania Mission and Grameen Shikkha recently.

Both Ahsania Mission and Grameen Shikkha are working for the underprivileged people, offering them education and healthcare services, says a press release.

## India's ICICI Bank opens in Sri Lanka

AFP, Colombo

India's ICICI Bank Thursday began operations in Sri Lanka with an eye on the lucrative inward remittances and booming bilateral trade, officials said.

The bank's country head for Sri Lanka, Naveen K. Agarwal, said they hoped to corner a slice of the growing base of Indian corporate customers operating in the island and Sri Lankan companies doing business with Indian firms.

## Oil hovers under \$64

AP, Singapore

Crude futures inched lower Friday as traders focused on unseasonably balmy weather in the US Northeast, a key heating oil market. Signs of ample oil supplies are also causing prices to sag.

Light, sweet crude for February delivery fell 9 cents to US\$63.85 a barrel in Asian electronic trading on the New York Mercantile Exchange late morning in Singapore. The contract ended flat Thursday at US\$63.94 a barrel after briefly rising as high as US\$65.05 a barrel.

Natural gas futures, which on Thursday settled below US\$9 per 1,000 cubic feet for the first time in nearly five months, extended losses Friday with a decline of 2.3 cents to US\$8.920 per 1,000 cubic feet.

Prices have fallen after a US

government report showing weak demand last week for industrial and home-heating fuel.

"Natural gas pricing is an immediate telltale sign of the winter situation: it is fairly mild, and this is likely to impact heating oil and crude demand as well," said energy analyst Victor Shum of Purvin & Gertz in Singapore.

Natural gas is down 43.5 percent since Dec 13, when it hit an all-time peak of US\$15.78 on concerns of a potentially cold winter and disrupted production in the Gulf of Mexico in the wake of Hurricane Katrina.

Oil prices edged down despite Thursday's news that fresh attacks on Nigerian oil fields had shut down as much as 226,000 barrels a day of crude oil production in the country's Niger Delta, and continued concerns about Iran's nuclear ambitions.

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