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# Star BUSINESS

DHAKA WEDNESDAY JUNE 21, 2006 E-mail: business@thedailystar.net

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## Political uncertainty may lower growth in FY07

Says Citigroup report on Bangladesh

**STAR BUSINESS REPORT**

US banking giant Citigroup forecast a low economic growth in FY07 in Bangladesh due to an uncertain political environment.

"While GDP growth in FY06 came a 29-year high at 6.7 percent, an uncertain political environment may result in lower growth in FY07," the group said yesterday in its latest analytical report on Bangladesh economy.

"Going forward, for FY07 we expect a moderate growth at 6 percent level due to elections in January 2007. The FY07 is likely to see three governments (current, caretaker and new). This may result in near-term

policy uncertainty and an increase in strikes or hartals," added the report titled "Bangladesh FY07: A Politically Challenging Year".

The report described labour unrest, sustaining export competitiveness and the impact of higher oil prices on the balance of payments as key risks to the growth outlook besides politics.

Termining textile exports remain buoyant, the report said, "For a further sustaining competitiveness, improvements in labour, social issues and infrastructure are necessary".

High oil and food prices and a depreciating taka exerted upward pressure on inflation in FY06, the

report said, adding that "improvement in food grain production coupled with monetary tightening have resulted in inflation easing to 6 percent levels currently."

The currency markets have been volatile with the taka depreciating over 8 percent during FY06, the report, prepared by Rohini Malkani and Anushka Shah from Mumbai, said.

"The depreciation was due to a steady climb in the import bill both oil and non-oil imports," the report added.

The FY07 Budget was the last for the BNP (Bangladesh Nationalist Party) government in its current term, the analysis report said,

adding that "The main focus of the budget remains on poverty reduction in line with Millennium Development Goals; however, the budget arithmetic looks optimistic, both on the revenue front as well as ADP spending".

Praising the achievement in the service sector that accounts for close to 50 percent of GDP, it said the sector is continuing to show buoyant trends. These include an increase in port traffic, telecom subscriptions (which have crossed 12.6 million), an increase in bank lending to some sectors, such as transport, communication and construction as well as increase in health services.

## Desco a role model for power firms

Seminar told  
STAR BUSINESS REPORT

Speakers at a seminar yesterday said the Dhaka Electric Supply Company (Desco) is a role model for power distribution companies.

They said Desco has been successful in achieving its target by reducing systems loss, improving customer services and increasing revenue.

They were speaking at the seminar titled 'Electricity Distribution Management: Desco Perspective' organised by Electrical Engineering Department of Institute of Engineers, Bangladesh in Dhaka.

Addressing the function, State Minister for Power M Anwarul Kabir Talukder said the activities of Desco is laudable as it has attained its objectives.

He said with the growth of industrial sector the demand for power is also increasing and to cope with the demand, production of electricity is also increasing. "In 2001, the country had a production capacity of 4000MW electricity which increased to more than 5000MW," he said.

However, REB (Rural Electrification Board) Chairman Towhidul Islam said the Desco should introduce all the internationally accepted standards to measure its own performance.

"Desco should also adopt policies that should guide it to perform better," he said.

Saleh Ahmed, managing director of Desco, presented a keynote paper at the seminar. Power Secretary ANH Akhter Hossain, among others, spoke at the seminar.

## ADB chief urges Asia to make more efficient use of energy

AFP, Manila

Asia must use energy more efficiently because the actions of the world's most populous continent will have a large bearing on climate change, Asian Development Bank president Haruhiko Kuroda said Tuesday.

"Climate change is a reality that we can no longer ignore and one that we have to take immediate action to mitigate and adapt to," Kuroda told delegates at the opening of an international "carbon-neutral" conference at the ADB headquarters in the Philippines.

The Japanese banker said that while Asia needs energy to maintain rapid growth and continue cutting poverty, energy production and consumption need to move to a more sustainable path.

He noted that in the 30 years to 2003, Asia's energy consumption grew by 230 percent compared with the average worldwide increase of 75 percent.

The region includes Japan, the world's number-two economy, as well as the rapidly growing giants China and India.

As a result, the share of the region's greenhouse gas emissions has risen from less than one-tenth of global emissions to nearly one quarter, he said.

## Int'l trade centre opens tomorrow

Entrepreneurs to get access to trade-related database

UNB, Dhaka

Bangladesh is going to open an international trade centre (ITC) offering easy access of entrepreneurs to a world-famous trade-related online database and a web portal as part of an aggressive drive for augmenting the country's exports.

The ITC, to be set up at the office of the Export Promotion Bureau (EPB), will also assist trade-promotional organisations in formulating market-development strategies.

With a global trade-related online database 'TradeMap' and a web portal 'Product Map', the centre will be launched officially on Thursday.

The TradeMap is an online database on trade flows of goods and services that will provide detailed export and import profiles

and trends for over 5,300 products in 224 countries and territories.

It will also furnish the tariff measures being pursued by any government, which is of utmost importance to initiating export-promotional drives.

On the other hand, Product Map is a Website on trade information consisting of 72 web-based portals and 20,000 companies and organisations.

Each of these portals focuses on a particular industry and presents extensive international trade statistics, tools for qualitative and quantitative market analysis, facilities to identify international trade opportunities, tools for networking, facilities to create a presence on the web and link sources of market intelligence, a demand of the present day in international trade.

## Govt urged to recognise buying houses' assoc

STAR BUSINESS REPORT

Leaders of Bangladesh garment buying houses have urged the government to recognise their association as a trade body.

They voiced their demand when they met Commerce Minister Hafizuddin Ahmed at his office at the Secretariat yesterday.

The country's garment factory owners received a total of 80 percent export orders through buying houses, they said, lamenting that their contribution is yet to be appreciated by the government.

"Undoubtedly, we contribute a lot to export orders from the buyers. But nobody recognizes our contribution, which is very unfortunate," said Qayum Reza Chowdhury, president of the proposed Bangladesh Garment Buying House Association (BGBA), while talking to journalists after the meeting with the minister.

The BGBA president said the country's maximum buying

houses are equipped with the manpower who are experienced and skilled, and international standard infrastructure, which help in getting huge export orders for the garment sector.

He said, "Garment sector has no adequate infrastructure to get export order from the buyers. So our contribution should be recognised".

Dwelling on the recent unrest in the garment sector, BGBA leaders demanded punishment of the real culprits who instigated the incident.

The commerce minister is learnt to have assured them of giving a directive to the concerned body regarding recognition to the BGBA.

M Jakir Hossain, first vice-president, S Alam, second vice-president, K I Hossain, third vice-president, Bessard Rahman Chowdhury, secretary general of the proposed BGBA were present during the meeting with the minister.

## Oil prices rebound

AFP, London

World oil prices rallied slightly on Tuesday as the market focused on renewed tensions over Iran and the US hurricane season that could again disrupt energy supplies, analysts said.

New York's main contract, light sweet crude for delivery in July, climbed 80 cents to 69.78 dollars per barrel in electronic deals before the official opening of the US market.

In London, Brent North Sea crude for August delivery gained 86 cents to 68.97 dollars per barrel in electronic trading.

"Oil futures were higher, bouncing a little after yesterday's fall," Sudean analyst Sam Tilley said.

"The market is still range bound at the moment, as many who would

probably like to sell the market fall to do so on fears of a spike higher from any kind of geopolitical or weather-related news," he added.

US President George W. Bush on Monday warned Iran -- the world's fourth biggest producer of crude oil -- of "progressively stronger political and economic sanctions" if Tehran refused to freeze sensitive nuclear activities in return for talks.

Analysts say that Iran, the world's fourth largest crude producer, could cut exports if UN sanctions were imposed to force it to stop enrichment.

The United States suspects Iran of trying to acquire nuclear weapons under the guise of producing nuclear energy, while the Islamic republic maintains its nuclear programme is strictly civilian.

## CONTAINER CONGESTION Customs starts auction process

STAFF CORRESPONDENT, Ctg

Chittagong customs authorities here yesterday started the process of putting imported goods of 1,100 consignments on auction. The goods have been occupying spaces of the port yards for over a month, creating a huge container congestion.

The authorities earlier planned to put goods of 1255 consignments on auction and invited tenders. But goods of 155 consignments were taken away by the consignees concerned after payment of necessary penalty.

The customs officials yesterday opened the tenders at around 12 noon.

## Future cellphone growth to come from poor states

AFP, Singapore

Future expansion in the mobile telephone business will come from developing economies whose less than affluent consumers cannot be overlooked while overall growth slows, experts said Tuesday.

Income levels of consumers in the world's poorer nations may not come anywhere near their wealthy counterparts but they offer far better growth prospects for the sector as a whole, telecommunications executives said at CommunicAsia2006, a major four-day exhibition and associated conferences which opened Tuesday.

"Growth in the mobile industry isn't going to be coming from the guys in the crowd here wearing coats and ties," said Andrew Buay, chief operating adviser of Globe Telecom, a telecommunications operator from the Philippines.

"If you just think of where the next billionth (subscriber) is coming from, they are going to be coming from countries with GDP (gross domestic product) of less than 1,000 US dollars (per capita)," he said.

Industry research estimates there are 2.2 billion mobile subscribers globally, a figure expected to rise to three billion by the end of 2008.

## Call centres to generate \$7.3b for Philippines by 2010

AFP, Manila

Annual foreign exchange earnings from the Philippines call center industry will nearly triple to 7.3 billion dollars in 2010, up from about 2.6 billion dollars this year, an industry leader said Tuesday.

Industry employment would rise to some 506,500 call center agents compared to 179,000 this year, said Raimiero Borja, president of People Support, a call center firm.

Citing figures from the industry association and the government, Borja told an annual industry conference that call center employees would pay 8.6 billion pesos (162 million dollars) in income taxes this year with more money spent on downstream industries such as office rentals and equipment supplies.

## Youngone to set up textile unit at Dhaka EPZ

BDNEWS, Dhaka

South Korea-based Youngone Industrial Group is going to establish its 16th industrial unit at Dhaka Export Processing Zone (DEPZ) by investing US\$ 7 million to manufacture textile fabrics.

The proposed textile unit is expected to manufacture 18 million metres of woven, polyester and nylon fabrics, said a Bangladesh Export Processing Zones Authority (BEPZA) press release yesterday.

"This unit will create employment opportunity for 500 Bangladeshi nationals," the release said, adding that the Group's investment has helped create 35,000 jobs so far.

The group also signed a lease agreement with the BEPZA. BEPZA Member (investment promotion) Prasanta Bhushan Barua and General Manager of Youngone Synthetic Fibre Products Ltd M Shahabuddin signed the accord on behalf of their organisations.

BEPZA Executive Chairman Brig General Ashraf Abdullah Yussuf and senior officials were also present at the signing programme.

## Kuwait to set up \$1.2b oil refinery in Pakistan

AFP, Islamabad

Kuwait has agreed to set up an oil refinery in Pakistan involving a 1.2 billion dollar investment, officials said Tuesday.

The two countries signed an agreement after the visiting Emir of Kuwait, Sheikh Sabah al-Ahmed al-Jaber al Sabah, met President Pervez Musharraf on Monday.

The refinery will be set up at Port Qasim in the southern city of Karachi, the officials said.



Bepza Member (investment promotion) Prasanta Bhushan Barua and General Manager of Youngone Synthetic Fibre Products Ltd M Shahabuddin exchange documents of a lease agreement in Dhaka yesterday. BEPZA Executive Chairman Brig General Ashraf Abdullah Yussuf was also present.

## China seeks speedier restructuring of textile industry

AFP, Beijing

China's textile industry has been urged to speed up restructuring to focus more on innovation and higher-value products, state media said Tuesday.

The call came in a circular from the National Development and Reform Commission and nine other central government departments, Xinhua news agency reported.

It said the restructuring aims to

make the industry, which currently only spends 0.3 percent of its revenue on research and development and imports most of its sophisticated equipment, more innovative.

Insufficient supplies of cotton, chemical fibers and other raw materials have become a major bottleneck. The circular calls for the use of linen, bamboo and other alternative materials as well as recycled fibers.

It also urges efforts to promote

clean production and cut energy consumption, since the textile industry has become a major consumer of water and lags other industries in the use of treated water.

The departments also urged more developed coastal regions to focus on brand building, marketing, research and development and other high value-added businesses, allowing labor-intensive work to move to central and western areas.

## Dollar steady in Asia on US rate hike expectations

AFP, Tokyo

The dollar was steady in Asian trade Tuesday, helped by an increasing expectations that the Federal Reserve will keep hiking interest rates even after this month's anticipated increase, dealers said.

They said the yen remained under pressure from a volatile equities market and a scandal touching Japan's central bank governor.

The dollar was little changed at 115.50 yen in Tokyo morning trade from 115.49 late Monday in New York.

The euro eased to 1.2568 dollars from 1.2578 and to 145.10 yen from 145.29. "One of the underlying reasons for the steady dollar is the market view that the Fed will hike interest rates which will eventually rise to 6.00 percent," said Kikuko Takeda, currency research manager at Bank of Tokyo-Mitsubishi UFJ.

The US Federal Reserve meets next week after a series of data showing rising US inflation, cementing expectations of another quarter-point rate hike to 5.25 percent this month.

The latest US warning on infla-

tion came from Atlanta Federal Reserve president Jack Guynn.

"Guynn's speech reinforced the recent hawkish comments from the Federal Reserve and support the now generally held view that the Fed will hike by 25 basis points at the end of the month," Commonwealth Bank of Australia senior economist Michael Workman said in a market note.

"The market has now moved to price in a more than even chance of a follow up rate hike at the August meeting," he said.

The Bank of Japan, meanwhile, last week left in place its near-zero interest rates, as expected, but there is increasing uncertainty as to when this will change since governor Toshihiko Fukui became embroiled in an investment scandal.

Fukui is due to make a speech later Tuesday.

"Factors such as unstable Japanese stocks and the issue around Bank of Japan governor Fukui continued to weigh on the yen," Takeda said.

"I think the Bank of Japan's core consensus, that it would like to normalize its monetary policy when the environment is ready, has not changed.

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