Star BUSINESS

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China Eastern Airlines opens new routes for Bangladesh passengers

China Eastern Airlines has introduced new routes for passengers from Bangladesh to travel to London, Paris, Frankfurt, Moscow, New York, Los Angeles, Vancouver, Sydney and Melbourne, says a press release.

The flights from Dhaka will leave at 1.55 pm allowing passengers same day connection to most of the destinations. The fares are unusually attractive.

China Eastern Airlines offers free hotel accommodation for transit passengers within the terms as stated in the package.

Besides more than 200 cities in China, passengers from Bangladesh can receive the airline's flights also to Japan, Korea, Hong Kong, Malaysia, Singapore, Thailand, Myanmar, Vietnam, Laos, Kampuchea and some other Asian destinations.

Strong currency shrinks ROK's export-driven economy

AFP, *Seoul*

South Korean companies are being seriously squeezed by the won's rise as the appreciation of the local currency is greater than they had expected earlier this year, businessmen and analysts say.

The won, which gained nearly two percent this month to a nine-year high against the dollar, appeared to be unstoppable on its upward swing until financial authorities intervened on a massive scale Friday.

Following the intervention, the won dropped 0.7 percent against the greenback to close at 920.30 won per dollar Friday, up 6.50 won from the previous day.

"Thanks to the massive intervention, the market stabilized considerably. The government must have shelled out some 1.5 billion dollars on Friday," a dealer with Kookmin Bank said.

It was the largest sum of intervention this year but its impact was dulled considerably as exporting companies and banks seized on the chance and sold their backed-up dollars en masse.

The won's rise was also dampened by news reports that top officials of the central Bank of Korea and the finance ministry met on Friday to discuss ways to curb the won's appreciation.

The Bank of Korea and the government also attempted to talk down the won's strength.

Governor of the central bank Lee Seong-Tae said last week that the bank's policy makers "considered and discussed" the foreign exchange rate.

Finance and Economy Minister Kwon O-Kyu went a step further, saying the government would conduct "smoothing operations" to check the won's advance if necessary.

Kwon conceded that the country's exports-driven economy is under pressure from the won's rise. His bank last week cut its economic growth target for next year from 5.0 to 4.4 percent amid sluggish private consumption and investment.

Govt borrowing from domestic sources up 173pc in Jul-Sept

STAR BUSINESS REPORT

Government's borrowing from domestic sources, which include banks and savings instruments, marked a 173 percent rise in the first three months of the current fiscal year (2006-07) as it reached Tk 3,523 crore. The amount was Tk 1,287 crore during the same period last fiscal.

A decline in foreign aid and the government's earning from revenue collection has caused such a rise in borrowing, sources said.

The dependence on such borrowing has also resulted from inconsistency between earning and expenditure of the immediate past government that faced a significant rise in its expenditure at the fag end of its tenure, the sources observed.

During the July-September period of FY 2006-07, government borrowing from banks went up by 197 percent, reaching Tk 2,313 crore against Tk 777 crore in the pervious corresponding period.

Apart from this, the borrowing from savings instruments reached Tk 1,209 crore in July-September this fiscal, recording a 137 percent increase against Tk 510 crore in FY 2005-06.

Meanwhile, foreign aid in deficit financing went down significantly. During the July-September period of FY'07, foreign aid dropped by 79 percent as it came down to Tk 243 crore from Tk 1,168 crore in the same period of the previous fiscal.

The last government just prior to quitting power hurriedly focused much to implementing internal resource-funded projects instead of donors-funded projects so that it can avert the donors' pressure to bow down to their conditions for aid.

Revenue income also went down. In the first four months of the current fiscal, the revenue income growth was only 8.07 percent against the target of 21 percent. In the last fiscal, such growth in the same period was 15 percent.

According to the sources in the National Board of Revenue (NBR), of the total revenue income, 50 percent comes from customs duty and such duty registered a growth of only 0.24 percent.

Supplementary and other duties are also a major source of revenue income and the growth in this sector declined by 3 percent.

The NBR sources attributed the fall in revenue income from customs duty to the ongoing political turmoil.

On the other hand, during the period almost imported items were industry-related ones, for which supplementary duty is usually low, resulting in a drop in revenue collection, the sources added.

PHOTO: JAMUNA BANK

A K M Mosharraf Hossain, chairman of the Audit Committee of Jamuna Bank Ltd, inaugurates the 24th branch of the bank on 2 DIT Avenue (Ext) at Mothijheel in Dhaka on Thursday. Vice-chairman, directors and managing director of the bank were also present.

India to overtake China in 5 years: Experts

ANN/ STATESMAN NEWS SERVICE

Some economists, industrialists and management experts today believe that India will eventually overtake China within the next five years in terms of foreign direct investment and have very practical explanations to favour their argument.

They were participating in a debate organised by BBC at a city hotel late on Friday evening.

Mr Sushil Khanna, professor IIM, Kolkata said more than 50 per cent of FDI in China is merely "round tripping", that is illegal Chinese money taken out of the country and brought back through proper channels from countries such as Taiwan and Hong Kong. Only about $15 billion is actual foreign investment.

Mr Suhel Seth, managing partner, Counselage, was quick enough to rebut the claims. China is a better investment destination than India on any given day sheerly because of consistent policy, effective and clean administration and sound policy decisions. "Indian politicians just lack the will. Even today, we talk of reservation and creamy layers because important ministries are run by a bunch of jokers who care more for their vote bank than policies," he maintained.

All panelists regretted that even though we might be progressing well on the economic front, our infrastructure is in a shambles. "A lot needs to be done to improve education and primary health care, without which it won't be possible for us to get the upper hand over China, which has put a very robust system in place, observed Mr Seth.

The panelists observed that India has a huge potential as the requirement of funds to develop infrastructure and industry is huge and it won't be possible for the domestic investors alone to pump in the money. Mr Rajeev Talwar, group executive director, DLF Constructions said that the country required more than $320 billion in infrastructure alone. This proves the huge capacity of the country to absorb funds, Mr Talwar added.

S'pore's Parkway Group Healthcare opens info centre in Ctg

OUR CORRESPONDENT, *Ctg*

Singapore's Parkway Group Healthcare Limited yesterday formally announced the launch of an information centre here in the port city.

The group management at a press conference at Hotel Peninsula said the centre will provide treatment related information on three Singapore hospitals -- Mount Elizabeth Hospital, Gleneagles Hospital and East Shore Hospital.

The centre will also assist patients for visa, and accommodation in Singapore, Jessica Sim, country manager of Parkway Group, told the press briefing.

A medical consultant will be at the centre from Saturday to Thursday from 9.00am to 5.00pm to assist patients, she said.

Hanoi to regulate prices

ANN/ *Viet Nam News*

Viet Nam will increasingly regulate prices in tune with market principles, said Nguyen Tien Thoa, deputy director of the Price Management Department under the Ministry of Finance.

The government currently retains the right to set prices for electricity and petroleum. It also requires the coal industry to negotiate prices with the electricity, cement, fertiliser and paper industries, the four sectors that most heavily rely on coal and which together consume the lion's share of coal output in Viet Nam.

These pricing mechanisms would not banned by WTO rules, Thoa said in a recent interview.

"However, the WTO requires Viet Nam to adjust (other pricing mechanisms) to ensure that the economy operates according to market principles, without trade distorting measures," he said.

In 2007, Viet Nam would begin floating cement, steel, and fertiliser prices, allowing market forces to drive the ultimate price, Thoa said. At that time, it would cease subsidising petrol prices and would reduce subsidies on oil.

Only coal used for generating electricity would continue to be subsidised.

Under a government decision issued on Monday (Dec 4), electricity rates would rise 7.6 per cent on Jan 1, with an additional hike planned for January 2008. By 2010, the price of electricity would be determined by market forces.

The January increase in electricity rates was expected by experts to directly drive up consumer price index by 0.25 per cent, and push up production costs of some industries by 1 per cent.

Rock, paper, scissors

The Viet Nam Coal and Mineral Industries Group (Vinacomin) said that coal prices would increase 20 per cent in 2007, an increase that will affect production costs of other industrial products such as paper, fertiliser, and steel.

According to the Viet Nam Pulp and Paper Association, the cost of producing paper would increase 6.5-8 per cent due to the higher cost of electricity. Packaging paper would not be as heavily affected, however, due to more stable prices of both imported and recycled materials.

Cabinet body okays purchase of 11 lakh tonnes of petroleum

STAR BUSINESS REPORT

The Cabinet Committee on Purchase (CCP) yesterday approved a proposal to purchase 11 lakh tonnes of petroleum products worth Tk 4,521 crore from the Kingdom of Saudi Arabia (KSA) and Abu Dhabi.

The energy ministry informed a CCP meeting yesterday that the amount required for purchasing the petroleum products will be paid by a loan from the Islamic Development Bank and a budgetary allocation of the Bangladesh Petroleum Corporation's (BPC).

According to the BPC, the 11lakh tonnes of largely crude oil, being purchased from the two Middle Eastern countries, are part of the demand for 37 lakh tonnes of petroleum products in Bangladesh in the year 2007.

The CCP meeting, chaired by Md Fazlul Haque, adviser for law, justice and parliamentary affairs to the caretaker government, reached decisions on a number of other purchase orders.

The decisions include extending the contract of German consultancy group Detacon International GmbH by another six months to oversee the reconstitution of Bangladesh Telegraph and Telephone Board.

Another proposal was approved to hire a consultancy firm to assist in the design for the water management in the south-western region of the country.

CIVIL NUCLEAR TRADE

Executives of US firms in India for $100b deals

PALLAB BHATTACHARYA, *New Delhi*

Even before the US Congress passed the historic legislation allowing civil nuclear trade with India, senior executives of American companies engaged in nuclear energy business landed in the country where atomic power production could yield contracts estimated at worth 100 billion dollars, industry analysts said.

The executives from 25 companies, engaged in nuclear energy business ranging from supply of equipment to fuel processors, were in Mumbai, India's financial capital, last week, looking for opportunities after the US Senate and the House of Representatives passed the landmark civilian nuclear cooperation bill which ends three decades of New Delhi's isolation from international order in the sector.

The delegation of executives of US companies in nuclear energy business were drawn from companies like General Electric Co and Westinghouse Electric Co, which manufacture nuclear reactors, construction major Bechtel and fuel processing company Thorium Power Inc.

Some Russian companies are already building a nuclear power plant in the southern Indian state of Tamil Nadu.

Analysts said private players may soon get exploration and mining rights for nuclear material in India after Indian Atomic Energy Commission Chairman Anil Kakodkar said on November 26 that the government is working on broadening the Atomic Energy Act of 1962 to allow private participation in nuclear power sector.

India, whose fast-growing economy needs vast sources of energy, now has 3,900MW nuclear energy capacity and another 3,380MW is set to be added by 2010, Kakodkar said.

China automakers see tough road to global market

REUTERS, *Beijing*

China has created a vibrant auto industry over the past two decades, but executives said on Sunday that a significant gap still separated local manufacturers from the world's top brands.

"If we want to become a global automotive giant, there is still a long road to travel," Yin Jiaxu, chairman of China Southern Auto Holdings Corp, told a conference on Sunday.

China Southern Auto owns 52.5 percent of Changan Automobile Co. Ltd. , Ford Motor Co.'s partner in China.

Foreign car makers are eager to increase their share of China's auto market, which grew 21 percent in 2005, amid slowing growth in more mature North American and European markets.

The fast growth, however, has spurred rapid expansion by the local ventures of the likes of General Motors Corp. and Volkswagen AG, leading to severe price competition and plans to increase exports and fatten profit margins.

Last month, Brilliance Automotive, BMW's China partner, became the latest with overseas ambitions when it announced plans to export 25,000 of its sedans to Europe next year.

Brilliance has an export target of 158,000 within five years, while Changan Auto also has plans to produce 250,000 cars in the year 2010.

But like the Koreans and Japanese before them, the price advantage enjoyed by Chinese exporters is offset by poor quality, outdated designs and the lack of any brand recognition.

"For Chinese consumers there is still a huge gap between foreign brands and local brands ," said Frank Zhao, the vice president of Zhejiang Geely Holding Group Co.

8 foreign banks apply for registration in China

REUTERS, *Beijing*

China's banking regulator said it had received eight applications from foreign banks for local registration, which it would begin processing on Monday, a first step in granting national treatment.

"The China Banking Regulatory Commission will examine the applications carefully and make appropriate determinations," the CBRC said in a statement on its Web site on Sunday.

The mainland issued new foreign bank guidelines on November 16 to fulfill its obligations for entry into the World Trade Organization, which stipulates that the country must further open its banking sector to overseas competition from December 11.

The new rules state that foreign banks seeking local incorporation must have paid-in capital of 1 billion yuan ($128 million), a drop in the bucket for banks such as Citigroup Inc, the largest U.S. bank with a market value of $245 billion.

Along with Citigroup, rivals HSBC, Standard Chartered and ABN AMRO are also known to have submitted applications.

Regulators will decide on the applications within six months, although they can extend the decision for another three months.

Saudi Electricity awards $973m contracts to GE

REUTERS, *Riyadh*

Saudi Electricity Co said on Sunday it had awarded U.S. firm General Electric contracts worth 3.65 billion riyals ($973 million) to help expand three power plants in key regions of the country.

The project would increase the capacity of the three plants in the Eastern and Central provinces by 2,860 megawatts, Saudi Electricity, the kingdom's biggest utility by market value, said in a statement posted on a bourse Web site.

Completion is expected within 20 months, it added without giving further details.

The firm was forced to ration power for two weeks in August in the two provinces -- the kingdom's main industrial hubs -- due to technical failures.

Consumption peaks during the summer due to heavy reliance on air conditioning in the desert country.