

Star BUSINESS

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Subsidy net to cover China's rural poor

ANN/ CHINA DAILY

For the first time the country's entire rural residents living in abject poverty can expect the State to cover their subsistence allowances, thanks to the government's latest move to narrow the disparities between cities and rural areas.

The establishment of the wide-ranging subsistence allowance system was announced at the annual central rural work conference, which ended in Beijing on Saturday.

This follows the implementation of such a system in the cities, and a pilot project in some rural areas for nearly a decade, experts said yesterday.

The central rural work meeting said that next year the government will "continue to spend more" on agriculture and social welfare projects and will "explore a social security system covering both urban and rural dwellers."

It did not specify how much more would be earmarked for the

purpose, but funds to the rural sector have increased by 15.6 per cent annually between 2003 and this year, according to Ministry of Finance sources.

Du Xiaoshan, deputy director of the Rural Development Institute under the Chinese Academy of Social Sciences, said the government's decision to cover all of the rural poor represents a "big step in social progress."

Had it not been for the economic situation in the past, rural people would have already been covered, just as their urban counterparts are, Du told China Daily yesterday.

"The rural poor are the most vulnerable segment of the population that must be taken care of in the country's drive to build a 'harmonious society,'" he said.

Extending the subsistence allowance network to them would entitle them to the benefits of the country's economic boom, and help ensure social equity, Du said.

In particular, the allowances would help those who have lost

their farmlands to development projects, he said.

For centuries, rural residents have relied on their farmlands for a living.

The amount of allowance for each person will not be large, since there are many in need, Du said.

Calculated on an annual per capita income of less than 683 yuan (US\$87.6), China had 23.65 million rural residents living in "abject poverty" by the end of last year, according to statistics of the State Council Leading Group of Office of Poverty Alleviation and Development.

The figure, however, would be much higher if calculated according to the United Nations standard of US\$1 for each person per day, Du said.

So far, about 2,000 counties have established a minimum living standard for the rural poor, with about 10 million receiving a subsistence allowance, according to official statistics.

Pakistan to go ahead with Iran pipeline project

PTI, Islamabad

Pakistan will go ahead with a project to build a pipeline to carry Iranian gas even if India decides not to join it, President Pervez Musharraf has said.

Musharraf expressed the hope that India would show interest in the completion of the project, the daily Dawn reported.

"However, if India would not be a part, then also the project would be completed," the paper quoted Musharraf as saying.

In a meeting with Pakistan Foreign Minister Khurshid M Kasuri, Musharraf said his country wanted positive development on the project and hoped that pricing issue would soon be resolved among the three countries.

Musharraf said no pressure would be tolerated on the multi-billion-dollar pipeline project. The paper, however, did not specify what the pressure was.

Kasuri met Musharraf Saturday to brief him about his (Kasuri's) recent visit to Iran and discussions with that country's President Mahmoud Ahmadinejad, Foreign Minister Manouchehr Mottaki and chief nuclear negotiator Ali Larjani.

Musharraf said Pakistan urgently needed energy as it was vital for fast pace of industrial development and talks in this regard were under way with other countries.

However, it did not mean that Pakistan was not interested in Iran-Pakistan-India project, he said.

On the Iranian nuclear programme issue, Musharraf said Islamabad supported talks between the European Union and Iran and wanted a diplomatic solution to the problem.

"Use of force would only destabilise the entire region," he was quoted as saying.

Japan keeps view that economy is recovering

REUTERS, Tokyo

The Japanese government kept its assessment of the economy unchanged in a monthly report on Monday, after downgrading it for the first time in almost two years last month.

"The economy is recovering, although there is some weakness in consumption," the Cabinet Office said in its December report.

Weak consumption -- which has cast some doubts over the strength of the economy's recovery in recent months -- had been added to the assessment of the economy last month when the government downgraded it for the first time since December 2004.

The December report described personal consumption as "generally flat" -- the same description used last month -- citing sluggishness in the pace of rises in employees' income.

"As for the outlook, personal consumption, with improvement in employment, is expected to increase if the growth of income changes for the better," it said.

The December government report also changed descriptions on housing construction from generally flat to increasing, and corporate goods prices from rising on higher materials prices to "generally flat" due to falls in oil and nonferrous metal prices.

Consumer prices are flat, while growth of general goods prices has slowed with falls in oil product prices, the report said, again stopping short of declaring an end to deflation.

"The government aims to declare an end to deflation in the current fiscal year, but I cannot comment whether that could happen," said Hiroyuki Inoue, a counsellor at the Cabinet Office.

Inoue said the government needs to make sure that the economy won't return to a situation in which prices fall persistently.

The December government report said corporate capital spending is increasing and industrial production is increasing moderately.

But Inoue said attention should be paid to soft machinery orders in recent months in determining the future trend of capital spending, and to the build-up of inventories in hi-tech industries, which he said is in an adjustment stage.

The report said exports are flat, but attention should be paid to the future trend of the U.S. economy whose pace of growth is moderating with declines in housing construction.

The report said the government and the Bank of Japan share basic views on macroeconomic management and will make joint efforts to ensure sustainable economic growth led by private-sector demand.

The central bank left its key overnight call rate target unchanged at 0.25 percent at the policy meeting that ended last Tuesday.

Revised data showed earlier this month that Japan's economy grew a softer-than-expected 0.2 percent in July-September, from a preliminary reading of 0.5 percent, due to sluggish consumption and a downward revision to capital expenditure.

It was the seventh straight quarter of growth.

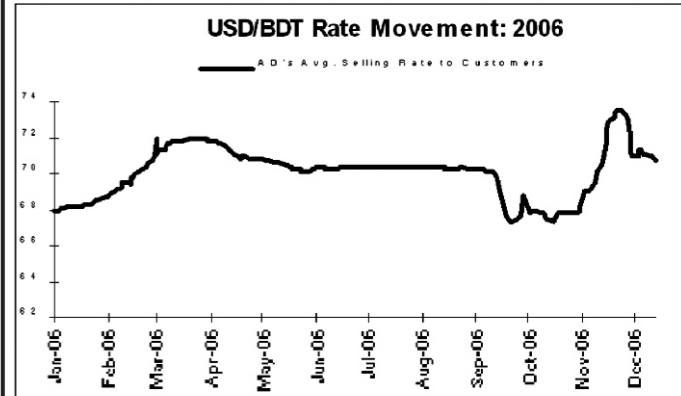
While the current recovery that began in February 2002 surpassed the 57-month "Izanagi" boom of the late 1960s last month, the pace of growth has been much more modest than previous booms.

Yearly Currency Roundup-2006

Local foreign exchange market

2006 was an eventful year for the local foreign exchange market. US dollar witnessed both upward and downward swings against Taka throughout the year-leading to a more vibrant market.

Demand-supply gap of currency on the back of higher import payment drove dollar higher against taka in the first quarter of 2006. Average selling rate of Authorised Dealers reached BDT 71.87 per dollar in March denoting a 6% rally. The situation however reversed in the second quarter and taka started appreciating against the greenback supported by substantial currency inflow from export and remittance. In FY 2005-06, export registered a staggering 22% growth (USD 10.53 billion) while wage earners' remittance peaked at USD 4.8 billion -- a 25% increase over FY 2004-05. The country received USD 2.3 billion from expatriate Bangladeshis during the first quarter of FY 2006-07, marking a 31% growth over the same period in last fiscal.



Source: Bangladesh Foreign Exchange Dealers' Association

Taka's appreciating trend against dollar was interrupted in mid-November when dollar reached 73.51 -- its highest level against taka in 2006. Drop in inflow after Ramadan and higher import demand contributed to the dollar's ascent. This dollar strength however was quite short-lived and Taka started appreciating backed by higher export and remittance flows.

From January 1 to December 19, Authorised Dealers' average USD selling rate to importers against BDT rose from 67.89 to 70.32 (3.6% adjustment over the year).

Change in customer foreign exchange rates by Authorised Dealers in response to market movement was not uniform throughout the year. Some banks were prompt in adjusting rates to market while others were cautious and slow. This segregated the market into several tiers -- leading to significantly different rates among banks in most months.

Forward market continued to be sluggish. Appreciation of Taka against dollar offered some impetus to exporters to sell export proceeds in forward but was not enough to gear up the forward market.

While dollar retained the status of most traded currency for cross-border transactions, euro gained popularity especially for capital machinery import. Dollar's drastic plunge against all major currencies including euro in the international market affected many importers in Bangladesh as well. In 2006 alone, euro appreciated around 16% against BDT, mainly driven by the euro/USD volatility in the international market. This caused massive escalation in import costs in many cases -- making importers contemplate hedging solutions like cross-currency forward, options etc.

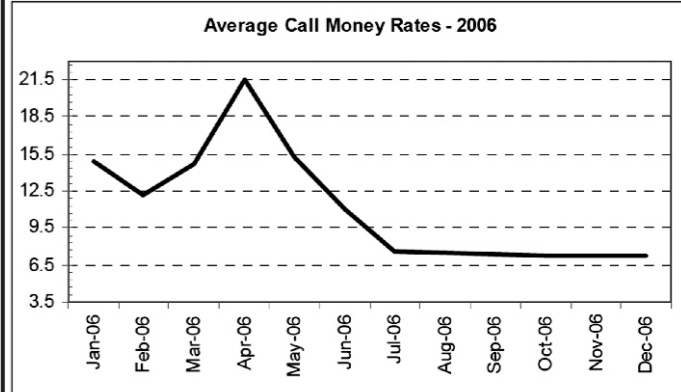
2006 also marked the entry of local market into foreign exchange derivatives products. First ever foreign exchange option deal was struck -- a positive sign toward market development.

Consistent with the market scenario, Foreign Exchange reserve experienced a steady rise throughout the year -- standing at USD 3.79 billion as of December 2006. Import recorded a moderate 12% growth in FY 2005-06 vis-a-vis FY 2004-05.

Money market

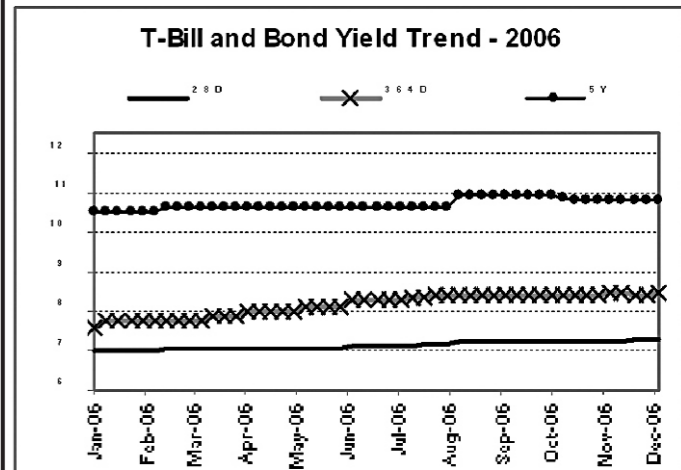
Developments in the money market in 2006 included robust open market operations (OMO) by Bangladesh Bank, introduction of Treasury Bills and Bonds Auction calendar, introduction of monetary policy statement (MPS), reintroduction of issuance of Bangladesh Bank Bills and increased volume of repo/reverse repo trading in the interbank market.

First half of 2006 witnessed high volatility in the O/N call money market (11.06-21.54), while the second half witnessed a more stable (7.33%-7.55%) O/N rates.



Source: Bangladesh Bank

Treasury Bills and Bonds yield curve experienced slight upward movement in 2006, after a significant upward shift in 2005. 28 days T-Bill yield increased by 31 bps, 91 days T-Bill yield increased by 55 bps, 186 days T-Bill yield increased by 64 bps, 364 days T-Bill yield increased by 90 bps, 5Y T-Bond yields increased by 40 bps and 10 T-Bond increased by 44 bps in 2006. The yield trend of Treasury Bills and Bonds in 2006 is shown below:



Source: Bangladesh Bank

Statutory Liquidity Ratio (SLR) of 13% and Cash Reserve Ratio (CRR) of 5% were kept unchanged by the central bank in 2006. Bank rate was also kept unchanged at 5%. The central bank Reverse Repo rate (Rate at which banks can invest their surplus liquidity with the central bank) has been set at 6.50%.

In order to create a vibrant secondary market for securities, Bangladesh Bank has introduced auction calendar and issued guidelines for classification of securities and marking to market (MTM) of securities. Such measures are expected to generate momentum for an active secondary market in 2007.

- Standard Chartered Bank



PHOTO: GRAMEENPHONE
Mohammad Abu Ishaque Ibrahim, executive director of Somatec Pharmaceuticals Ltd, and Mir Rashedul Hossain, deputy head of Corporate Sales of Grameenphone Ltd, pose for photographs at an agreement signing ceremony recently. As per the deal, the mobile phone operator will provide complete communication facilities under its 'Business Solutions' package for Somatec.

HK overtakes NY in attracting IPOs

AP, Hong Kong

Hong Kong surged past New York this year and became the world's second most popular place after London for companies to float new stock listings.

The city's amazing success was due to several factors, analysts say. Being next door to mainland China's booming economy was a huge help. Tough new U.S. accounting rules have discouraged many companies from listing in America.

Perhaps most importantly, Hong Kong benefited from a new trend that involves the rise of regional markets, diminishing the importance of places like New York. With the help of powerful computers and increasing liquidity, capital can easily zoom around the world, scouting for the best investments.

But Hong Kong is keenly aware the competition for global investors is fierce. Already, there's much discussion about how long the good times can last. Some are worrying about other upstart markets especially the Shanghai Stock Exchange which might soon be able to elbow their way into the big leagues.

Hong Kong's big advantage now is that it has a solid legal and financial system that can handle big initial public offerings, or IPOs. Shanghai isn't close to being able to match this city, and that's why a parade of China's biggest banks

decided to launch record-breaking IPOs in Hong Kong this year.

One of them was the world's biggest ever: the \$21.9 billion offering in October by Industrial & Commercial Bank of China, the mainland's largest lender.

With two weeks left in the year, Hong Kong has raked in HK\$307.7 billion, or US\$39.57 billion, in IPOs nearly twice as much as the HK\$165.7 billion raised last year, according to Hong Kong Exchanges & Clearing Ltd., the listed firm that operates the stock exchange.

London was the world leader for IPO equity raised, with \$48.92 billion raised, according to the World Federation of Exchanges. Hong Kong was second and the New York Stock Exchange lagged back in third with \$33.61 billion, according to the most recent WFE figures, which included the January-November period.

That may be partly because some American companies are holding back from listing in the U.S. due to the strict rules under the Sarbanes-Oxley anti-fraud law, opting instead to stay private.

But few of them have turned to Hong Kong. The growth in IPO issuance here has been driven almost entirely by Chinese companies eager to tap international capital markets.

Beating out New York for the No. 2 spot has inspired much chest-

thumping by Hong Kong leaders. Frederick Ma, secretary for financial services and the treasury, has argued that the IPO success confirms Hong Kong's status as an international financial center. And he contends that it will continue to grow because of its strong link to China.

"If China becomes a large economy rivaling the U.S., then Hong Kong will grow to the extent of New York and London," he said in a speech to the Foreign Correspondents' Club.

Ma said Hong Kong was already benefiting from a new clustering of businesses drawn to the city because of its success in finance.

The world's top 70 banks are operating there, he said. In 1995, the city only had 200 chartered financial analysts, but now it has 3,000 ranking it No. 4 in the world behind the U.S., Canada and Britain, he said.

But some say the back patting is premature and that Hong Kong is nothing more than a regional financial center.

Jake van der Kamp, a finance columnist for Hong Kong's South China Morning Post and a former investment banker, said a true global finance capital should be like a long dining table with several legs. He noted that Hong Kong doesn't offer much in the way of bond, foreign exchange and commodities trading.

There would be savings in transportation costs as well as reduced costs for exports to other countries in the region," he said.

Malaysian companies could consider investing in the production of halal foodstuff, he added.

Mohamed said Malaysian businessmen should visit Oman to provide information on the products available in Malaysia as many Oman businessmen were in the dark.

"If the Oman businessmen know what is available, they would be able to source it from Malaysia. We are willing to be host to the Malaysian businessmen by arranging trade meetings with their Oman counterparts," he said, adding that OCCI hosted 70 trade delegations annually.

Malaysia, Oman set to develop economic cooperation

ANN/ THE STAR

There is a huge potential to develop economic and investment relations between Oman and Malaysia for mutual benefit.

Oman Chamber of Commerce and Industry (OCCI) director-general Mohamed al Shuraiki said there were ample opportunities available for Malaysian companies to undertake joint-venture projects in the tourism and heavy industrial sectors.

The projects include those in the microelectronics, computer programmes and systems, vessels, aluminium, ship manufacturing and textile industries.

Mohamed said Oman had been liberalising its economy in a bid to expand the non-oil base and make the private sector an important player in the national economy.

He said nearly US\$11bil had been budgeted for infrastructure, industrial and logistics facilities for the Sohar industrial port, which had been earmarked as a new economic zone.

Mohamed said Malaysian companies should consider setting up operations in Oman.

"The cost of production in Oman is reasonable and would benefit them as there is a lower tax rate.

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The seventh annual general meeting (AGM) of Infrastructure Investment Facilitation Centre (IIFC), a state-run company engaged in facilitating private participation in infrastructure projects, was held recently in Dhaka. SM Zafulah, secretary to housing and public works ministry, Md Shaheed Haque, additional secretary to Economic Relations Division, and Nazrul Islam, chief executive officer and executive director of IIFC, among others, were present at the AGM.



PHOTO: PUBALI BANK
Helal Ahmed Chowdhury, managing director of Pubali Bank Ltd, and Masihur Rahman, managing director of Credit Rating Agency of Bangladesh (CRAB) Ltd, exchange documents after signing a credit rating agreement recently. Under the deal, CRAB will rate the bank. Hafiz Ahmed Majumder, chairman of the bank, was also present at the signing ceremony.



PHOTO: BAYER CROPSCIENCE
Bayer CropScience Ltd, a market leader in crop protection industry and a joint venture with Bangladesh Chemical Industries Corporation, celebrated its fourth founding anniversary at a function recently. Managing Director of the company Philippe Medeau, among others, was present at the function.



PHOTO: EXIM BANK
Md Nazrul Islam Mazumder, chairman of Export Import (EXIM) Bank of Bangladesh Ltd, inaugurates the 29th branch of the bank on Bashundhara Road at Bashundhara in Dhaka on Sunday. Directors, managing director and senior officials of the bank, among others, were present at the inauguration.