

## Food grain output may fall 4pc short of target

### Senior World Bank economist predicts on impact of flood

#### STAR BUSINESS REPORT

Food grain production this year may fall four percent short of target due to the devastating countrywide flood, predicts a senior World Bank (WB) economist.

"The government should continue investing in rural infrastructure and can undertake construction and rehabilitation programme to improve the situation there," said Paul A Dorosh, senior economist of the World Bank for South Asia region at a seminar yesterday.

The seminar on 'Floods and Food Security in Bangladesh: The 1998 Experience and Implications for 2004' was organised by the Bangladesh Institute of Development Studies (BIDS) at its conference room in Dhaka. BIDS Director General Quazi Shahabuddin chaired the event.

Paul said in the current financial year Bangladesh may see 22 percent production loss of *aus* and five percent loss of *aman*. "But government stocks appear to be more than adequate for planned distribution."

Rice and wheat prices in markets across the country have generally been stable since floods began. Rice prices in some markets rose slightly at the height of the floods due to transport and other disruptions but returned to approximate pre-flood levels thereafter, he added.

"In real terms, rice prices now are about 30 percent below the September 1998 price."

The 1998 flood experience illustrates the crucial role that investments and policies can play in maintaining good supply, keep-

ing price under control and supplementing household access to food, thereby helping to avoid a major food crisis, Paul said.

He said without the cross-border rice trade by the private sector, rice prices would have been higher by at least 19 percent and total calorie consumption of the poor could have fallen by 44 to 109 calories per person everyday below their reduced levels.

"The poor did suffer in the short term through reduced consumption and increased illness, as well as in the medium term through increases in household debt and lingering nutritional consequences," said the WB economist.

He said the government was quite successful in overcoming the adverse impact of 1998 flood and allowed private imports, initiated

vulnerable group feeding (VGF) and made long term investment that are basic things and good strategies.

Increasing collaboration between government and non-governmental organisations is also an essential factor, he added.

Speaking at the seminar, Shahabuddin said Bangladesh has achieved lots of progress including doubling of rice production. "Normally, it is a lean period for some parts of the country and northern districts face *monga* (a famine like situation). It is very important to monitor the purchasing capacity of the people," he said.

Dr Ainnun Nishat of Bangladesh University of Engineering and Technology observed there is an urgent need to find an effective mechanism for damage assessment.

## IFIC Bank employees to get insurance coverage from Pragati Life

Pragati Life Insurance Limited will provide group life and health insurance facilities for the employees of International Finance, Investment and Commerce Bank Limited (IFIC Bank).

The spouses and children of the IFIC personnel will also enjoy health insurance facilities under the contract, says a press release.

An agreement to this effect was signed between the two organisations recently in Dhaka.

Managing Director and Actuary of Pragati Life Insurance M Shefaqe Ahmed and Managing Director of IFIC Bank Ataul Haq signed the contract on behalf of their organisations.

## Sri Lanka raises diesel price by 22pc

AFP, Colombo

Sri Lanka on Saturday increased prices of diesel by 22 percent in a bid to reduce mounting losses for the state-run oil distribution company, officials said.

The price of a litre of diesel was raised from 36 rupees (36 cents) to 44 rupees in Colombo while the increase in other areas will be 16.6 percent, creating a dual price structure based on geography, company officials said.

Gasoline prices were also raised by two rupees a litre to 73 rupees hot on the heels of a 17 percent increase last month.

High international oil prices have seriously affected the country's main state-run Ceylon Petroleum Corporation which is subsidised by the government.

The company has suffered about eight billion rupees (more than 77 million dollars) in losses since February as it did not raise prices amid national and local elections in Sri Lanka.

## ADB to give political risk guarantees to Afghan investors

AFP, Manila

The Asian Development Bank (ADB) said Saturday it has approved a 15 million-dollar support to a fund to provide political risk guarantees to investors in post-war Afghanistan.

The Philippines-based lender said it approved a five million-dollar soft loan and a 10 million-dollar guarantee to the Afghanistan Investment Guarantee Facility, which would be administered by the World Bank's Multilateral Investment Guarantee Agency.

After a US-led invasion that toppled the radical Islamist Taliban militia, "a vibrant and active private sector is needed to generate jobs and support long-term economic growth for poverty reduction in Afghanistan," said Veronica John, an ADB finance specialist.

## UAE national airline starts service to India

AFP, Abu Dhabi

Ethiad Airways, the national airline of the United Arab Emirates (UAE), announced Saturday the launch of its service to India, its eleventh destination in 10 months.

The airline now operates to Mumbai seven times a week and will soon announce flights to New Delhi and Karachi, a statement said.

Ethiad announced earlier this month it is to buy five Boeing 777-300 ER aircraft for 1.09 billion dollars to be delivered next year.

The airline, which is targeting 16 destinations by the end of the year, already flies to London, Bangkok, Amman, Beirut, Colombo and Damascus, among other routes.

Launched last November, it currently operates two wide-bodied Airbus A330-200 passenger jets as well as an A340-200. It plans to have 10 wide-bodied aircraft in the fleet by the end of 2005.

Ethiad last month ordered 24 Airbus aircraft, including four of the superjumbo A380 models, four A340-600s and four A340-500s, and has taken an option on 12 additional planes for a total value of seven billion dollars.

## Phuket launching promo offer ahead of Eid

### Announces plan to expand operation in Bangladesh

#### STAR BUSINESS REPORT

Thai private airline Phuket Air plans to expand its Bangladesh operation and introduce wide-bodied aircraft from the first week of October.

The second largest Thai carrier, which resumed operation from Chittagong from May 20 this year after a ten-month interval, yesterday announced a special promotional rate on Chittagong-Bangkok route ahead of Eid-ul-Fitr, the largest Muslim festival.

The airline will start a new flight on Bangkok-Jeddah route via Chittagong from October 6 and introduce Boeing 747 with a capacity of 466 passengers and 15 to 18 tonne cargo, said M Haideruzzaman, managing director of Nora Travels, GSA of Phuket Air in Bangladesh while addressing a press conference in Dhaka.

The airline has offered

Chittagong-Bangkok return ticket at US\$149 which is presently US\$185. The offer, aimed at encouraging Eid-shoppers to Bangkok, will remain valid from October 1 to November 30, 2004. Passengers will be allowed to carry up to 30kg luggage.

The carrier presently operates three weekly flights on Bangkok-Chittagong-Dubai route using Boeing 757 with a capacity of 214 passengers and 5-7 tonne cargo.

Addressing the press conference Haideruzzaman said Phuket offers connecting flights to Chittagong bound passengers from Dhaka.

The fare will be US\$249 for passengers who intend to avail connecting flight from Dhaka. The fare for return ticket from Dhaka to Bangkok is US\$362 in Thai Airways and US\$280 in Biman, he said.

Haideruzzaman said introduc-

tion of wide-bodied plane is expected to boost vegetable export to Middle East from Chittagong. "Since inception of service, Phuket Air has been carrying vegetables at full capacity. In last three months, it carried 500 tonnes vegetables. Based on the success Phuket management has decided to expand cargo operation maintaining the 20 cent cheaper rate than other cargo," he added.

Phuket will introduce Jeddah flights next month, but it will not carry Hajj pilgrims in the coming season, Haideruzzaman said.

He said Phuket will lease two aircraft each to Saudi Arabian Airlines and Indonesian national flag carrier Garuda during this Hajj season. The airline is also ready to offer aircraft to Biman for carrying the pilgrims, he added.



PHOTO: STAR

M Haideruzzaman, managing director of Nora Travels, GSA of Phuket Air in Bangladesh, speaks at a press conference in Dhaka yesterday while General Manager of Phuket Air Farhad Hossain looks on. The Thai private carrier will start flights on Bangkok-Jeddah route via Chittagong from October 6.

## China backs Russia's WTO bid

AFP, Moscow

China said Friday it would back Russia's bid to join the World Trade Organization but failed to win a commitment from Moscow to build an oil pipeline Beijing sees as critical to meet growing energy needs.

Speaking to reporters, visiting Chinese Prime Minister Wen Jiabao said an accord formally ending Sino-Russian negotiations on WTO membership was expected to be signed next month when Russian President Vladimir Putin visits Beijing.

"This is the most important result of our meeting," Wen was quoted by Russian news agencies as saying after talks with his Russian counter-

part, Mikhail Fradkov.

"The two sides have agreed to sign documents confirming Russia's accession to the WTO in the framework of bilateral relations," Fradkov was quoted as saying.

Russia on Tuesday secured South Korea's agreement for Russian accession to the WTO during a visit to Moscow by South Korean President Roh Moo-hyun.

In May, the European Union gave the green light to Russia's membership of the Geneva-based body which sets global trade rules.

But Russia, which is hoping to join the trade organization in 2005, still needs to complete accession deals on a bilateral basis with nearly 20 countries, notably Japan and the

United States.

Beijing's public expression of backing for Russia was nonetheless an important success for Moscow, which meanwhile kept China guessing about future expansion of its access to Russia's vast oil and gas reserves.

A succession of top Russian officials in Moscow and abroad gave conflicting signals on which route would be selected for a new pipeline linking Siberia's oil fields to north Asia.

China favors an option for a new pipeline that would terminate there, while Japan has backed a proposal for the link to run to Russia's Far East port of Nakhodka, directly opposite Japan.

## \$40m ADB loan for Nepal's rebellion-torn areas

AFP, Manila

The Asian Development Bank said Saturday it had approved a 40-million-dollar soft loan for Nepal to improve roads and bridges in areas torn by a Maoist insurgency.

The project will extend the network of roads, trails, and pedestrian bridges in 18 districts, including 14 districts in the Western, Midwestern, and Far Western regions.

A Maoist insurgency seeking to topple Nepal's constitutional monarchy has left thousands of people dead over the past eight years, according to official estimates.

The bank said most of the Himalayan kingdom's 6,600 kilometers (4,092 miles) of roads are earthen. A number of districts have no roads at all. Most people in remote hill and mountain districts live more than a day's walk from a road.

"Such deprivation, inequality, and discrimination have contributed to the spread of the conflict in Nepal," said project economist Brian Fawcett.

## Oil hits record \$48.88 amid supply fears

AFP, New York

Crude oil futures jumped to a record high closing on the New York Mercantile Exchange Friday, as markets fretted over tight US supplies despite a decision to release small amounts from a strategic reserve.

The November contract for light sweet crude climbed 42 cents to 48.88 dollars a barrel at the close. The latest price eclipsed the prior all-time record close on August 19 of 48.70 dollars and neared the intraday record of 49.40 dollars on August 20.

In London, the price of benchmark Brent North Sea crude oil for delivery in November gained 20 cents to close at 45.33 dollars a barrel a day after reaching a new intraday record of 45.75 dollars.

Traders remained concerned about the US supply situation, with a new storm poised to hit the United States, despite a decision to release a small amount from the Strategic Petroleum Reserve as a loan to

refiners.

The US Energy Department said Thursday it was preparing to release "a limited quantity" of crude oil from the US strategic petroleum reserve to ease shortages resulting from Hurricane Ivan.

Officials said Friday that Placid Refining Co. will receive 300,000 barrels of oil from the reserve to offset supply disruptions.

Kevin Kerr, a senior trader at Kwest International, said he saw little market impact from the move.

"It's like throwing a bucket of water on a raging forest fire," he said.

Marshall Steeves at Refco said a big portion of the gains came late in the day after news that much of the Gulf of Mexico oil production remained down.

"We're now 10 million barrels short," he said, adding that the market had "very strong technical momentum."

The analyst also cited uncertainty about Hurricane Jeanne, saying there were some concerns it might

go across Florida and into the Gulf.

"We'll certainly see 50 dollars by early next week, it depends how much production is still off line," he said.

Prices surged earlier this week on news that US oil inventories tumbled 9.1 million barrels to their lowest levels since February last week in the wake of Hurricane Ivan.

Other factors affecting the market included sabotage of a pipeline going to the Basra refinery this week and more uncertainty about the future of Russian oil giant Yukos.

Russian President Vladimir Putin gave the go-ahead Friday for state firms to bid for the assets of oil giant Yukos if they are sold to pay off multibillion-dollar tax debts, but denied the aim was to nationalize the company.

Yukos is facing the forced sale of its main production asset, Yuganskneftegaz, which accounts for 60 percent of the firm's oil output, to pay off billions of dollars in back tax demands by the Russian state.

## India's Gujarat to consider state firm sale, closure

REUTERS, Ahmedabad, India

India's Gujarat state said Friday it will consider restructuring a dozen state-run firms through sale or even closure, leading to sharp share price gains for those companies already listed on the stock market.

Shares of many Indian state-run companies were battered in May after a federal election victory for a communist-backed, Congress Party-led coalition which promised to move cautiously on further privatisations.

But analysts said Gujarat's government led by Narendra Modi of the Hindu nationalist Bharatiya Janata Party (BJP), which aggressively sold federal assets before losing the national election, wanted to send a message about policy continuity.

Shares of Gujarat's five listed state-run firms rose between 6 percent and 13 percent at the Bombay stock exchange.

"The share price movement is a clear reaction to the concrete step taken by the government to a previously stated intention (to privatise)," said Vinod Sharma, head of research at Anagram Securities Ltd.

"The news has also given investors a new avenue to park their funds. There is a lot more potential to be unearthed in these companies through privatisation."

Gujarat broadened the scope of its restructuring by including potential mergers and closures with previously stated share sale plans.

"Now the final mode of divestment will depend on an expert panel's recommendation," said Gujarat's industries minister, Anil Patel. "It could be total privatisation, or partial sale of shares, mergers or closure."

The panel of experts includes industry professionals, retired bureaucrats and government officials. A cabinet sub-committee, headed by Modi, will take the final decision on the panel report.