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Marubeni offloads GP stakes

Telenor increases ownership in GrameenPhone to 55.5 percent

ABU SAEED KHAN

Telenor has stepped up its ownership in GrameenPhone after Marubeni Corporation sold its 9.50 percent shares to the incumbent partners on Tuesday. The Japanese trading company has made US$ 20,736,000 out of the deal.

GrameenPhone's each shares has been valued at $2.16 million. Telenor has paid $9.72 million to acquire 4.50 percent of Marubeni's 9.50 percent shares. This acquisition has elevated Telenor's ownership from 51 percent to 55.50 percent in the country's leading mobile operator, according to Telenor's third quarter annual report published yesterday.

Marubeni's remaining shares were sold to the other two partners in GrameenPhone. Grameen Telecom, the second-highest shareholder with 35 percent stake, has acquired additional three percent shares and paid $6.48 million to its outgoing Japanese partner.

US-based Gonofone, the 4.50 percent partner in GrameenPhone, is buying the last segment of two percent of Marubeni's shares at $4.32 million to become 6.50 percent owner of the countries dominant mobile operator.

Telenor's increased stakeholding has made it further difficult for Grameen Telecom to become the major shareholder in GrameenPhone. In September 2003, Grameen Telecom served a legal notice demanding Telenor to transfer at least 16 percent of its share. But the Norwegian state-owned telecoms operator has not been responsive to this proposal.

Telenor's third quarter annual report further reveals that GrameenPhone's market share has been increased, by one percent from the previous quarter, to 63 percent at the end of the third quarter of 2004. It says the estimated mobile penetration in Bangladesh has been increased from the previous quarter to 2.4 percent at the end of the third quarter of 2004.

Compared to the end of the second quarter of 2004, the number of subscriptions in GrameenPhone was increased by 13 percent to more than 2 million, while the increase from the third quarter of 2003 was close to one million.

It has contributed to its revenue growing by 51 percent compared with last year's third quarter. GrameenPhone's earnings before income-tax, depreciation and amortization (EBITDA) has increased by 49 percent compared to the third quarter of 2003, mostly due to its growth in revenue.

However, the EBITDA margin has declined, compared to the third quarter of 2003, due to increased costs in connection with sales and marketing activities related to the large increase in the sale of new subscriptions. Compared to the third quarter of 2003, depreciation and amortization was increased as a result of increased capital expenditure in the subsequent quarters.

GrameenPhone's average revenue per user (ARPU) had also declined by 22 percent compared to the third quarter of 2003. Telenor blames the high growth in prepaid subscriptions and price reductions including free call time for its sliding ARPU.

Compared to the third quarter of 2003, capital expenditure increased as a result of increased need for network investment to increase coverage and due to the significant growth in the number of subscriptions.

GrameenPhone is Telenor's very first investment in Asia. Later on the Norwegian state-owned telecoms operator had invested in Malaysia and Thailand. Lately Telenor has acquired a mobile license in Pakistan. Some Bangladeshi officials of GrameenPhone have seconded to kick-off that project.

> GrameenPhone, meanwhile, is going to have a new managing director. Erik Aas from Telenor's DiGi operations in Malaysia is replacing Ola Ree sometime next month. Ola Ree is supposed to assume a new business unit in Singapore. GrameenPhone officials have declined to comment.

Link3 Tech to offer network solutions to Bank Asia

Bank Asia Ltd has signed an agreement with Link3 Technologies Limited for offering IP VPN (virtual private network through IP) and WAN (wide area network) solutions between its branches in Dhaka.

Erfanuddin Ahmed, senior executive vice-president of Bank Asia, and Sk Raihan Ahmed, chairman of Link3 Technologies, signed the agreement recently in Dhaka, says a press release.

Syed Anisul Huq, president and management director of Bank Asia, and Ziaul Islam, chief operating officer of Link3 Technologies, were also present.

The agreement will facilitate branch-to-branch banking of the bank and help its vision to implement online banking in all its branches around the country.

Link3 Technologies is a full-range IT service provider specializing in IP VPN, WAN and Broadband Internet Services.

EU farm reform needed for friendly world trade: WTO

AFP, *Geneva*

The World Trade Organisation on Wednesday said that existing reforms to the European Union's Common Agricultural Policy fell short of liberalising farming and called for more cuts in support for EU farmers.

"Tariff protection ...and domestic support, coupled with the limited liberalization of trade in agricultural products under the EC's preferential trade agreements, continue to limit foreign competition and to generate surpluses of some products," the WTO said in a trade policy review of the EU.

Although it welcomed the recent decoupling of payments to farmers from production, the report concluded that the EU's market was "somewhat protected for agricultural goods", although open in other sectors.

"Further simplification of the EC's trade regime, notably of its tariff structure on agricultural products... and the continuation of structural reforms would substantially contribute to the promotion of world trade," the WTO said.

It also highlighted possible areas for more harmonisation within the 25- nation trading bloc, including internal tax rates, some services and customs procedures.

ABB to set up engineering centre in India

AFP, *Bangalore, India*

Swiss-Swedish engineering giant ABB announced Wednesday it will set up a dedicated engineering centre in India's technology hub of Bangalore.

The new facility, to be managed by the Indian arm of the group ABB India, will employ 500 professionals over the next couple of years, a spokesman for the company said.

The centre will develop engineering solutions and support automation activities across the ABB group, he said.

"A multinational team from ABB's automation business will facilitate exchange of technology between the new centre and ABB units," said Dinesh Paliwal, head of the automation technologies division of the group.

A host of multinational firms such as Siemens, General Motors, US-based steelmaker Timken and software major Veritas have set up research and development hubs in Bangalore due to its skilled workforce and cheap labour.

Probe body formed to dig into alleged scam by bank

M SHAMSUR RAHMAN

The Securities and Exchange Commission (SEC) yesterday formed a three-member committee to dig into alleged irregularities by a commercial bank, Arab Bangladesh (AB) Bank Ltd.

Headed by SEC Executive Director Anwarul Kabir Bhuiyan, the committee includes Director ATM Tariquzzaman and Deputy Director AKM Ziaul Hassan Khan.

Sources said the Merchant Bank Wing of Arab Bangladesh Bank, has been found involved in trading in different companies' shares on behalf of AB Bank in violation of the Securities and Exchange Commission Merchant Bank and Portfolio Manager Regulation 1996.

Based on preliminary findings by Surveillance and Monitoring wing of the SEC, the capital market regulators on Tuesday directed the Merchant Bank not to trade with or hand over shares to AB Bank.

"Whereas it appears that AB Bank is involved in trading in its own accounts in violation of securities law. Therefore, AB Bank Merchant Wing is hereby directed under section 20A of the Securities and Exchange Ordinance, 1969 not to buy or sell any securities on behalf of AB Bank Limited and/or allocate securities to AB Bank from the bank's discretionary accounts," the directive said.

The SEC allowed banks to launch merchant banking operation through opening of separate wing mainly to deal in portfolio investment on behalf of clients' account in order to channel pool of investors' fund into the stock market in an organised manner.

Talking to The Daily Star, a senior SEC official said the SEC was very careful in issuing licenses to banks to conduct merchant banking.

"We made sure that the banks operate through separate merchant bank wings so that the commercial banks do not start investing depositors' fund in the stock market," the official, seeking anonymity, said.

He said the merchant banks were allowed to operate with the hope of playing a meaningful role in salvaging the country's limping stock market, by generating fresh funds, following the 1996 stock market crash.

These merchant banks are usually engaged in issue management, underwriting and portfolio management activities.

The need for separate wings became inevitable throughout the world in the aftermath of the 1929 US stock market crash following allegations against commercial banks of resorting to manipulation in stock market and insider lending, the official said.

He said, after the 1929 US stock market crash a new law titled The Glass-Steagall Act of 1933 was passed barring commercial banks from involving themselves in investment banking activities.

Despite repeated attempts acting Managing Director of AB Bank MA Awal could not be reached for comments.

PHOTO: STAR

Commerce Minister Altaf Hossain Choudhury inaugurates a two-week-long Thai fair titled 'Thai Lucky Grand Fair 2004' yesterday at Gulshan Shooting Club in Dhaka. Commerce Ministry Advisor Barkat Ullah Bulu and Second Secretary of Thai Embassy in Dhaka Natthira Krasaesarn are also seen in the picture.

Thai Lucky Grand Fair begins

STAR BUSINESS REPORT

A two-week long Thai fair began yesterday at Gulshan Shooting Club in Dhaka with a view to promoting Thai products in Bangladesh.

Thai Business Society in Bangladesh in association with Thai Embassy organised the show titled 'Thai Lucky Grand Fair 2004' , the first of its kind in Dhaka. A total of 30 Thai companies are showcasing their products such as handicrafts, decorative items, pottery, household electrical appliances, fruits, beverages, cosmetics, and medical services at 45 stalls in the fair.

Speaking at the inaugural ceremony, Commerce Minister Altaf Hossain Choudhury said both the countries are committed to developing their bilateral relations the socio-economic arena. A lot of favorable discussions have been held between the two governments to strengthen bilateral ties during Prime Minister Khaleda Zia's visit to Thailand recently, he added.

The minister said Bangladesh-Thailand Chamber of Commerce and Industry is working out a plan to hold a grand trade show in Chiang Mai next year, which will create an opportunity to exchange views of businessmen of the two countries.

In absence of Thai Ambassador Pithak Phrombubpha, Natthira Krasaesarn, second secretary of Thai Embassy in Bangladesh, read out his speech.

In the speech, the ambassador vowed to boost trade facilities to Bangladesh and develop the relationship between the two countries. "Thailand has approved duty free access of 101 Bangladeshi products to Thailand market recently. Earlier, Thailand gave duty free access of 128 Bangladeshi products to Thailand but on the other hand Thai businessmen are facing high duties on exporting products to Bangladesh," the speech read.

"To develop bilateral relation Bangladesh should reduce tax barriers on imports of Thai products in Bangladesh" he added.

Among others, Advisor to commerce ministry Barkat Ullah Bulu, Usa Charoensun, chairperson of Thai Business Society in Bangladesh, and Nawazish Ali Khan, vice-president of ATN Bangla, were present at the function.

The fair will remain open to the visitors from 10am to 10pm everyday until November 12. Visitors will require an entry fee of Tk 10.

The Daily Star and ATN Bangla are the official media partners of the show.

Proton signs partnership deal with Volkswagen

AFP, *Kuala Lumpur*

Malaysian national carmaker Proton said Tuesday it had formed an alliance with Germany's Volkswagen AG that could lead to technology sharing and joint development of cars but there were no plans for Europe's biggest auto maker to take a stake in Proton.

In a statement to the stock exchange, Proton said it had signed a memorandum of understanding with VW to "establish a long-term partnership which allows each party to exploit the strengths of the other."

As part of the deal, Proton will manufacture selected VW models for sale locally and abroad, and will be the national distributor of VW cars in Malaysia, it said.

In return, VW "will allow Proton access to its engines and other components and shall support Proton in adapting engines and gearboxes" for use in Proton cars. VW will also develop a program to boost production standards at Proton plants and its major vendors.

Sept export misses target by 3pc

MONJUR MAHMUD

Export missed its ambitious target by around 3 percent last month.

The export earnings in September were calculated at $651.67 million against the target of $670.70 million.

However, export performed well in the first quarter of the current financial year, showing a continuous growth for more than one and a half years.

Earnings in July-September were $2313.51 million, recording a 21.84 percent growth over last fiscal year's corresponding period.

The performance was evaluated at a preparatory discussion for the 11th meeting of the National Committee on Exports held at the commerce ministry conference room in Dhaka yesterday. The 11th national committee meeting was scheduled to be held on 11 April this year but the date was re-fixed on 22 April. And the meeting was again postponed. Prime minister is the chairperson of the national committee.

Export target for the current financial year has been fixed at $8,565.78 million against the earning of $7602.99 million the last fiscal, setting more than $962 million growth in a single fiscal year.

"The target is highly ambitious taking into account that our major product readymade garment will face a serious competition when quota will be phased out after this year," said a source privy to yesterday's meeting.

Commerce Minister Altaf Hossain Chowdhury chaired yesterday's preparatory meeting while Secretary Md Aminur Rahman, President of Federation of Bangladesh Chambers of Commerce and Industry Abdul Awal Mintoo, President of Bangladesh Textile Mills Association MA Awal, President of Bangladesh Knitwear Manufacturers and Exporters Association Fazlul Huq and other association leaders and commerce ministry officials attended the meeting.

Apart from reviewing export performance, the meeting discussed existing problems the exporters are facing and sought for recommendations from business leaders.

As different associations sent various recommendations highlighting their prospect and existing problems, the meeting decided to form a three-member committee to be headed by commerce secretary to discuss with associations and finalise the agenda for the national committee meeting.

According to meeting sources, Bangladesh Knitwear Manufacturers and Exporters Association demanded a 15 percent cash incentive to survive in the post-multi fibre arrangement era. Knitwear can enjoy five percent cash incentive now if they use local yarn.

Maruti net profit jumps 48pc in Q2

AFP, *New Delhi*

India's largest carmaker Maruti announced Wednesday second quarter net profit jumped 48 percent, driven by a surge in demand from India's burgeoning middle class buyers and easier credit.

Net proft of Maruti Udyog Ltd, majority owned by Japan's Suzuki Motor Co, rose to 1.84 billion rupees (40 million dollars) in the three months to September on sales that jumped 22.5 percent to 27.90 billion rupees.

The demand for cars has boomed against a backdrop of rising affluence among middle class buyers, who have benefitted from strong economic growth.

Oil price spike history points to recession ahead

REUTERS, *London*

A recession could be staring the world's major economies in the face by next summer if history repeats itself and a 30-year rule holds true that output slumps after oil prices spike.

Optimists say that the old relationship is dead, that companies are more competitive, energy efficiency is ingrained into corporate culture and today's high oil prices are driven by huge demand.

But others say the link between the four big oil price spikes of the past three decades and industrial production in the world's biggest economies means recession is inevitable after a year-to-date 70 per cent surge in oil prices.

"The percentage increase from previous levels show the same pattern as the present one," Dieter Wermuth, consultant to UFJ Bank Ltd and partner of Wermuth Asset Management told Reuters.

"In the previous cases, such oil price increases were followed by a recession and one could come, even though the oil price increase is the result of a booming economy," he said.

US light crude oil prices CLc1 hit a record of $55.67 a barrel on Monday.

The strong inverse relationship between oil and US and German industrial production has been observed since 1973, and confirmed in 1981, 1991 and most recently post 9/11 2001.

Recent moves in industrial metals prices also appear to support the view that the global economy is slowing more quickly than expected, especially after a sharp sell-off last week.

"If this sell-off were to gather momentum, it would provide one of the clearest signs yet that global growth might be about to enter a slower pace," said Merrill Lynch chief global investment strategist David Bowers.

Investors have cut speculative positions on the London Metal Exchange, with total open interest for LME metal and product contracts sinking by about 10 per cent to around 800,000 lots in the week ending October 22.

"Higher oil prices have less effect on the industrialised economies than they had some decades ago, and the recent hikes have only marginally slowed growth in the major OECD economies," the OECD said in a report entitled Financial Market Trends.

Like the OECD, many private sector economists expect red-hot oil prices to shave robust global growth by only about 50 basis points next year.

Pakistan dreams of emulating India's call centre success

AFP, *Islamabad*

After years watching neighbouring India reap rich dividends from the global outsourcing phenomenon, Pakistan is taking tentative steps towards also cashing in with call centres and other low-cost IT services.

"Work in America without leaving your family and homeland," reads a newspaper advertisement by Touchstone Communications, a US contact centre located in Islamabad serving the US and British financial services companies.

The chairman of the Call Centres Association of Pakistan, Farukh Aslam, described the nation's call centre and IT-based outsourcing as "nascent" with just two dozen companies employing 1,000 people.

But Aslam predicted the industry would rapidly expand.

"Next year over 10,000 people can get jobs in these industries, it's probably 1,000 percent growth," Aslam said, who is also country manager for US-based Touchstone communications.

Aslam, who left his home city of Lahore to study in the United States in late 1983, said Pakistan's IT-based industry was coming off a very low base, largely due to government apathy.

"To my shock and dismay there was no clear-cut policy of the government of Pakistan in March 2000, when I first set foot in this industry here," Aslam said.

Aslam said he took an active part in advising the government on amending laws to facilitate the entry of call centres.

"The next two years were spent in changing those laws and reducing bandwidth cost to make it possible for call centre businesses to flourish," Aslam said.

While progress has been made, Aslam said the government still lacked the vision required to harness the full potential of the outsourcing industry.

"Call centres... are a 600 billion dollars global industry. Can't we get a 10 billion dollars share out of that? Absolutely. We can, but we need visionary leadership," Aslam said.

"It could be the largest foreign exchange earner for Pakistan."

P&G posts higher quarterly profit

REUTERS, *New York*

Procter & Gamble Co on Wednesday posted higher quarterly profit, boosted by sales of new products and continued gains in developing markets.

Earnings at the maker of Crest toothpaste, Tide laundry detergent and a host of other products rose to 73 cents per share in the first quarter ended in September, up from 63 cents a year earlier.

Analysts expected Cincinnati-based P&G to earn 70 cents to 73 cents per share, with a mean target of 72 cents, according to Reuters Estimates.

China urged to raise rates in policy tweaks

REUTERS, *Beijing*

China should fine-tune economic cooling policies by easing state-imposed curbs on bank loans and raising interest rates when necessary instead, a top government think-tank and economist were quoted today as saying.

Debate on whether China needs to relax its tightening policies picked up after data showed the economy expanded 9.1 percent in the third quarter from a year earlier, marking the third consecutive quarter of slower growth.

The government should "fine-tune its polices and measures in a timely and appropriate manner to achieve coordinated development", the China Securities Journal quoted a report by the investment research institute of the State Development and Reform Commission as saying.

The government should maintain a proactive fiscal policy to help sustain spending in the country's less-developed western regions and channel more funds into public utilities, it said.

Worried that an investment bubble could turn economic boom to bust, Beijing has taken a raft of steps since last year, such as forcing banks to hold more money instead of lending it out and ordering a halt to new projects in areas like steel and property.

Unilever Q3 profit falls

AFP, *London*

Unilever PLC, the Anglo-Dutch consumer goods giant, reported that its pretax profit fell two percent in the third quarter after sales of ice cream, soft drinks and household goods were hit by poor European weather, weak consumer demand and pressure from rivals.

The world's largest maker of ice cream, whose shares are hovering around a four-year low following a grim profit warning last month, posted pretax profit in the three months to September 30 of 1.318 billion euros (1.7 billion dollars), down two percent from 1.341 billion a year earlier.

Operating profit, before exceptional items and goodwill, declined three percent in the period to 1.848 billion euros whiles sales slumped four percent to 10.641 billion dollars.