

Call money rate hits 40pc

BB sits with banks today

STAR BUSINESS REPORT

Call money rate soared yet again in the volatile money market yesterday hitting as high as 40 percent.

In the face of liquidity crisis, the nationalised commercial banks (NCBs), like the private commercial banks (PCBs), were forced to borrow money from the market. In the normal market situation the NCBs lend funds to other banks.

Even Sonali Bank, an established lender, could not supply funds to other banks. Rather, it withdrew its funds extended to other banks on

the day.

Eventually the central bank had to intervene by releasing Tk 337 crore at 8 percent interest under the repurchase agreement (Repo).

According to sources, the central bank will sit with the chief executive officers (CEOs) of different banks today and discuss the present upheaval of the call money market with them.

The inter-bank call money rate shot up to a record 75 percent on January 26 as a section of private and foreign banks resorted to lending to a risky proportion to make

extra profit amid a high demand for cash.

Finance Minister M Saifur Rahman met high officials of the central bank and nationalised commercial banks (NCBs) on February 3 and instructed them to strengthen Bangladesh Bank's monitoring system to check the volatility in the call money and foreign exchange markets.

According to bankers, a high call money rate does not affect clients instantly but a prolonged high rate may increase the lending rate for customers. The call money rate has

been going up since last month despite the central bank's efforts to contain it.

Normally, the call money rate hovers at around 5 percent. But it rose as high as 50 to 55 percent just before the Eid-ul-Azha holidays. However, bankers say the rate started showing a rising trend much before the Eid mainly because of the aggressive banking tactics pursued in some quarters.

In the inter-bank foreign exchange market, the dollar price declined yesterday, selling at Tk 63.30 on average

Prime Bank to increase authorised capital

Prime Bank Limited will increase its authorised capital from Tk 100 crore to Tk 400 crore.

The decision came at an extraordinary general meeting (EGM) of the bank held Monday in Dhaka, says a press release.

Azam J. Chowdhury, chairman of the bank, presided over the meeting, which approved some amendments to the relevant provisions of the Memorandum and Articles of Association of the Bank.

M Shahjahan Bhuiyan, managing director of the bank, also attended the meeting.

Annual sales confce of SMC

The annual sales conference of Social Marketing Company (SMC) was held in Dhaka recently, says a press release.

Saleh Ahmed Choudhury, head of Sales, presented the sales performance of the company for FY-2004 at the conference. According to figures, the company distributed 28.2 million cycles of oral contraceptive pills, 111 million pieces of condoms, 0.40 million of injectable and 118 million sachets of packaged ORSaline during the period.

Perveen Rasheed, managing director of SMC, along with other officials of the company and representatives from USAID was present at the conference.

Vietnam textile raw materials fail to meet demand

ANN/VIETNAMNEWS

Vietnam's domestic raw materials and accessories will only account for 40-41 percent of the textile and garment industry's overall raw materials in 2005, about 4 percent below the target (45 percent), said Chairman of Vietnam Textile and Apparel Association Le Quoc An.

"The ratio of locally made materials and accessories used for exports only accounted for about 36 per cent last year," An added.

Director General of Vietnam National Textile and Garment Corporation (Vinatex) Vu Duc Thinh attributed the low figure to the unstable quality of locally made fabric and raw materials. Thinh said the designs and colours of Vietnamese fibres do not meet importers' requirements, and much of the textile industry's equipment is out of date.

However, purchasing and upgrading technology for the textile industry is very costly.

For example, last year, Vinatex needed only VND295 billion (US\$19 million) in investment capital for the garment companies, but now it needs up to VND864 billion (\$55 million) for upgrades of textile ones, Thinh said.

"Textile enterprises are still not proficient in marketing their products and providing after-sale services," Thinh said. In addition, local textile and garment companies must import all polyester fibres, chemicals, dyes, and plastic products to make accessories.

Oil prices fall to one month low

REUTERS, London

US oil prices fell to a one month low below \$45 a barrel on Tuesday, under pressure from signs Opec would not cut production until its March meeting and on forecasts for rising US crude stockpiles.

News of a shock fall in Chinese crude imports also pressured prices.

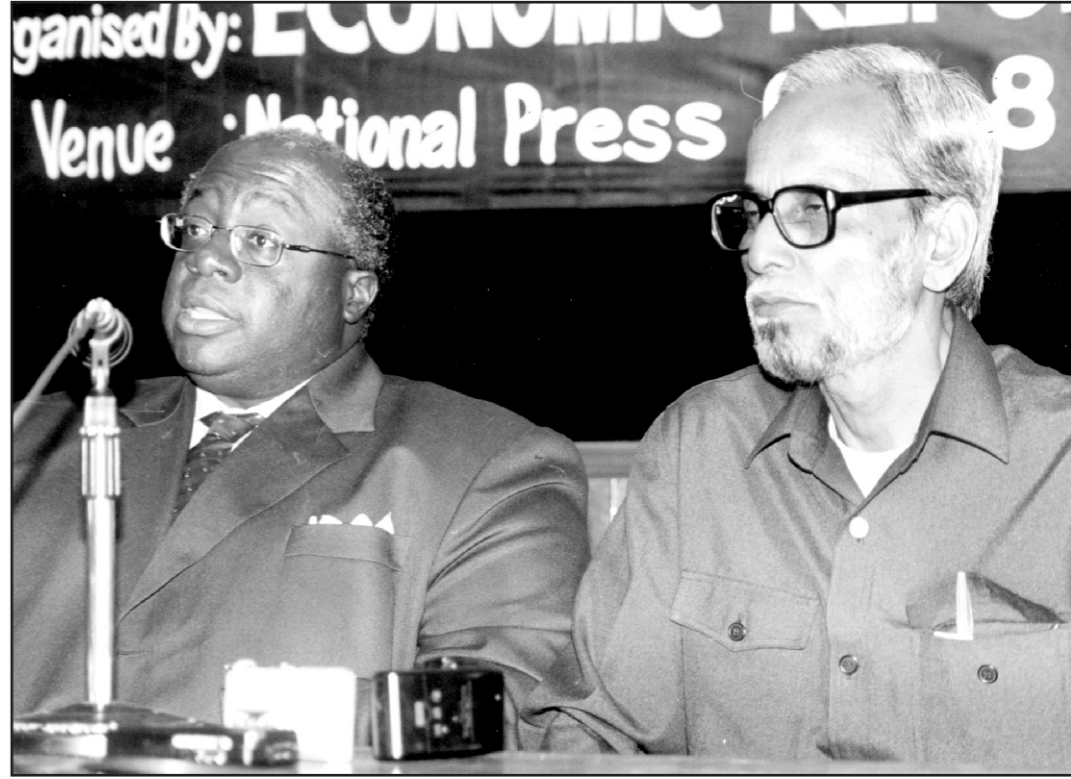
US crude oil futures eased 50 cents to \$44.78 a barrel, its lowest level since Jan. 7. In London, Brent futures fell 34 cents to \$42.70.

US prices fell around \$1.20 on Monday, extending two-week losses to more than nine percent as winter supply fears faded and Opec looked set to defer any output cuts.

The Organization of the Petroleum Exporting Countries at its meeting on Jan. 30 left output unchanged, while warning that it could hold a teleconference to reduce production ahead of its March 16 gathering in Iran.

Ministers from Algeria and Kuwait said at the weekend they saw no need for any interim discussion.

And on Tuesday, top exporter Saudi Arabia vowed to keep pumping nine million barrels per day (bpd) of crude until further notice to ensure sufficient supply to global oil markets.



US Ambassador to Bangladesh Harry K Thomas speaks to the members of Economic Reporters' Forum (ERF) on 'Trade with USA in the post-MFA era' at National Press Club in Dhaka yesterday. ERF President Monowar Hossain is also seen in the picture.

Dhaka must embark on new economic road

US envoy tells Economic Reporters' Forum

STAR BUSINESS REPORT

In the post-MFA era Bangladesh must embark on a new economic road rather than depending alone on apparels that bring 75 percent of the country's total export earnings, suggested US envoy in Dhaka yesterday.

Different sectors are worried about the lost opportunities after the phaseout of 10-year multi-fibre agreement, Harry K Thomas said. "But I encourage Bangladesh to look forward and take action now on the steps needed to ensure that the Bangladesh of tomorrow is economically strong and diverse."

Thomas was talking to the members of the Economic Reporters' Forum (ERF) on 'Trade with USA in the Post-MFA Era' at the press club in Dhaka.

Trade, not aid, is the best way to strengthen the Bangladesh economy, he noted. The USA strongly supports increased trade with Bangladesh and it is instrumentally helping Bangladeshi entrepreneurs develop markets for their products in three US cities, Thomas added.

"Another challenge for Bangladesh is the lack of a deep-water port that would permit large container ships to unload directly into the port. The current practice of ferrying containers to and from

ships anchored at sea increase both costs and time to imports and exports. A properly developed deep-water port could serve the whole region -- not just Bangladesh."

Bangladesh has made some amazing strides in the economy, especially in the garment industry, the US ambassador observed.

When buyers come to Bangladesh, they not only look for low cost but they also expect partners that can respond to their needs quickly, Thomas said.

Telecoms is such a sector where some forethought and investment now can yield huge dividends in the near future and make further economic development and investment in Bangladesh, he said.

Corruption too has long been a 'business as usual' situation in Bangladesh, which must be encountered effectively, he said.

"Corruption is the major obstacle for Bangladesh. Make no mistake. For the economy of Bangladesh to continue, grow and prosper, in both the short and long-term, corruption must be curtailed and eventually eradicated," he said.

"Sometimes I hear complaints that Transparency International's reports on corruption is damaging

Bangladesh's image and discouraging investment. My response is: 'don't blame the messenger.' What discourages investment and restricts Bangladesh's economic growth is the underlying problem of corruption not because Transparency International is reporting it," he commented.

Eliminating corruption, improving the infrastructure through efforts like expanding the telecom and port facilities, and consciously moving towards expanded trade relationships will ensure all that Bangladesh is as competitive as any country in the world for investment, the ambassador felt.

The end result would be a more friendly business climate to encourage further investment in Bangladesh from local and foreign companies, he said.

Trade and Investment Framework Agreement (TIFA) is the first step towards strengthening the bilateral trade relationship further, he said adding in case of signing a bilateral free trade agreement (FTA), TIFA would be also the first step to be done for Bangladesh.

Thomas also said there are many US investors who are interested in making investments in healthcare, education, infrastructure, information and technology and other areas.

IFAD, PKSF to launch \$29.7m project to help the poor in North

STAR BUSINESS REPORT

About 210,000 poor farming families will benefit from better access to loans, savings and other banking services through a \$29.7 million development project in the northern region.

The International Fund for Agricultural Development (IFAD) and Bangladesh's Palli Karma-Sahayak Foundation (PKSF) will work together to assist poor farmers in 14 districts.

The project will be largely financed by a \$20.1 million loan from IFAD, according to a press statement of the international fund received in Dhaka yesterday.

Anwarul Bar Chowdhury, ambassador of Bangladesh to Italy, and Lennart Bage, president of IFAD, signed a loan agreement to this effect on Monday in Rome.

According to the release, the IFAD has formed the partnership with PKSF to ensure that micro-finance and related services can properly reach those who are in need. PKSF is an institution that channels funds for micro-finance services through a network of NGO partners.

PKSF will work closely with approximately 25 NGO partners to create 11,500 new savings and credit groups using the funds made available by the IFAD. These groups will also receive training in improved agricultural technology and crop varieties, together with support for improved access to local markets, the IFAD release added.

With this loan, IFAD has so far provided Bangladesh with nearly \$370 million through the funding of 22 projects since 1978, the release added.

Toshiba unveils next-generation chip

AFP, Tokyo

Japanese electronics giant Toshiba said Tuesday it has helped develop a next-generation memory chip with uses from home appliances to mobile telephones, two weeks after its South Korean rival Samsung started mass production of similar-speed chips.

The NAND flash memory chip, developed with California-based SanDisk Corp., can write at six megabytes per second and read at 60 megabytes per second, 40 percent faster than the previous generation, Toshiba Corp. said.

The eight-gigabit chip has potential applications ranging from running digital appliances to powering third-generation mobile telephones.

Toshiba said it found a way to store two bits of data in each memory cell, meaning the chip is less than five percent larger than predecessors.

"Although eight-gigabit memory size products are also being released by our rivals, our new product has strength in the improved write/read speed," said Junichi Nagaki, spokesman for Toshiba.

Mitsubishi agrees to compensate DaimlerChrysler

AFP, Tokyo

Mitsubishi's earnings report Scandal-plagued Mitsubishi Motors said Tuesday it had agreed to compensate DaimlerChrysler for losses on investments in its truck business hit by a series of defect cover-ups, as the Japanese automaker sank deeper into the red.

Mitsubishi Motors Corp. said it would make a cash payment and transfer its remaining 20 percent stake in Mitsubishi Fuso Truck and Bus Corp. to the German-US car giant under an agreement expected to be made final in March.

The Japanese carmaker also announced that it had plunged deeper into losses in the first nine months of the fiscal year as net sales dipped following the cover-up controversy.

Mitsubishi Motors said its consolidated net loss for the April-December period more than doubled to 228.2 billion yen (2.2 billion dollars) from 102.6 billion yen a year before.

The group's net loss for the whole year was forecast to reach 472 billion yen, up from 215.4 billion yen for the previous year, including special losses related to the compensation.

Mitsubishi Motors' nine-month sales sagged 11.7 percent to 1.62 trillion yen with its recurring loss expanding to 144.1 billion yen from 96.9 billion yen.

The boards of Mitsubishi Motors and DaimlerChrysler had approved a letter of intent on "compensation for financial damages resulting from quality issues and recalls at Mitsubishi Fuso Truck and Bus Corp.," the Japanese firm said in a statement.

Top officials of French firms to visit Bangladesh this year

France-Bangladesh chamber AGM held

STAR BUSINESS REPORT

Top executives of giant French companies will visit Bangladesh this year to explore trade and investment opportunities here, Dominique Simon, trade commissioner of French Embassy in Dhaka, announced yesterday.

A French trade show will be held in Dhaka and a similar show of Bangladeshi products will take place in Paris in the latter part of the year, the trade commissioner said while speaking at the annual general meeting of France-Bangladesh Chamber of Commerce and Industry (CCIFB) in Dhaka.

"Bringing top executives of big French companies such as automobile giant Peugeot is a challenge. But I will make it happen this year for increased interactions among businessmen of the two countries which is required for boosting trade," Simon said.

"Following visit of our foreign trade minister and French trade delegation in Dhaka and a successful completion of Bangladesh trade show in Paris last year, Bangladesh is in France's spotlight," he said.

French entrepreneurs have targeted Bangladesh's telecommunications, energy and transportation sectors for investment, he said. France has set its focus on China, India and the surrounding countries to do trade with, he said. So, Bangladesh can now seize the opportunity to boost trade with France.

Addressing the AGM, French Ambassador to Bangladesh Jacques-Andre Costilhes said the France-Bangladesh relationship was very active in the latter part of 2004 and hoped that it would be more active in 2005 to boost trade between the two countries.

CCIFB President A Qayyum Khan said apart from trade show,

luncheon meetings and gala evening, the chamber will also organise Bangladesh delegations' business tours to France and workshops on garment export.

He said seven new members have been admitted to the chamber in 2004 taking the total to 67 members.

Vice-president of CCIFB Syed Farhad Ahmed, Director Rifat Rashid, Treasurer Humayun Rashid, Chairman of Square Group Samson H Chowdhury, President of Bangladesh Knitwear Manufacturers and Exporters Association Fazlul Hoque, Commercial Attaché of Economic Department of Embassy of France Alexis Chaumet and other members of the chamber were present at the AGM held at Economic Department of Embassy of France at Baridhara.



French Ambassador to Bangladesh Jacques-Andre Costilhes (L) speaks at the annual general meeting of France-Bangladesh Chamber of Commerce and Industry (CCIFB) in Dhaka yesterday. (From left) CCIFB President A Qayyum Khan, Vice-president Syed Farhad Ahmed and Treasurer Humayun Rashid are also seen.

Boeing, Airbus in rat race for Indian aviation market

PALLAB BHATTACHARYA, New Delhi

US aircraft manufacturer Boeing Corp and its European rival Airbus Industry are in a rat race for a share of the growing Indian civil aviation market.

Boeing has bid for selling medium and long-haul planes to India's state-owned air carrier, Air India and hopes to clinch a big deal worth between six to seven billion dollars.

Besides, Airbus Industry also looks for the Air India order and is trying to sell its newly launched super-jumbo A-380, the world's largest plane.

In last December, Boeing offered twenty 220-250-seater 787, ten 380-seater 777-380 ER and five 25-seater 777-200R aircraft for Air India, said Boeing Vice President in India Dinesh A Keskar.

The recent order values between six to seven billion dollars including both firm and option

sales, he said adding that the proposed 50 aircraft purchase order consists of 35 firm sales and options to buy 15 more by Air India.

Boeing has failed to make inroad on the Indian market losing out to Airbus Industries for Indian Airlines and private low-cost Air Deccan and Kingfisher Airline orders. However, two leading Indian private carriers-- Jet and Sahara Airways, still favour it.

Moreover, Boeing is encouraged by the latest move of the Indian government. The government yesterday allowed Jet and Sahara to fly to Singapore and Kuala Lumpur from April this year, a decision that came ten days after the two private carriers were permitted to fly to London.

With the sky the opening up to private players, the scope for sale of bigger aircraft has also gone up and Airbus A-330 and A-340 would be best suited for long-haul flights, Airbus' regional press manager David Velupillai said.

The Airbus official said Air India

and Indian Airlines are two major customers and operators of Airbus planes with more than sixty between them.

According to Velupillai, A-380 super jumbo can operate from airports in Delhi and Mumbai after some minor structural changes and is best suited for heavy traffic routes.

He said Airbus is revising its long-term plan for the Indian aviation market on expected boom there in the next decade and a half.

Official sources here said Jet and Sahara will be allowed to mount a daily flight to Singapore and Kuala Lumpur. The two airlines will fly daily from Chennai (Madras) to Kuala Lumpur, while Jet has got the right to operate flights between Mumbai and Singapore and Sahara between Delhi and Singapore.

In order to safeguard the interests of Air India and Indian Airlines, the two state-owned carriers will be given additional international routes, the sources said.

Agro-based industry to be set up in Mongla EPZ

UNB, Dhaka

A local agro-based industry is going to be set up in Mongla EPZ, involving \$672,000, to produce raw materials from waste shrimp and shells, which will be used for cosmetics and medicines.

The company, M/s Aspect Agro Industries Limited, will create jobs for 23 Bangladeshis. It will produce 150,000 kg chitosan annually.

An agreement to this effect was signed between Bangladesh Export Processing Zones Authority and M/s Aspect Agro Industries Limited in Dhaka yesterday.

Indonesia mulls pulling out of Opec but stakes are high

AFP, Jakarta

Indonesia, the only Asian member in Opec, may pull out of the oil cartel as dwindling production is pushing it closer to becoming a net importer, a minister said in remarks published Tuesday.

Analysts warned, however, such a move could backfire and cause foreign investment in the beleaguered sector to dry up even more just as the country is looking to boost interest.

"We are studying whether we are already a net oil importer and thus no longer eligible to be an Opec member," Energy Minister Purnomo Yusgiantoro was quoted as saying by the Jakarta Post.

Any move to end Indonesia's 43-year membership would have to be carefully weighed as it "involves our diplomatic ties with other Opec members, especially the Gulf countries," he said, adding that a panel is looking at the issue.

"The team will forward the results of the study to the cabinet as any plan for our withdrawal from Opec will be a diplomatic issue," said Yusgiantoro, who last year headed the oil producers' group.

Indonesia joined the 11-nation Organization of Petroleum Exporting Countries (Opec), which supplies nearly a-third of global crude oil, in 1962 but the country's oil output has fallen five percent annually over the last decade to less than a million barrels per day (bpd).

Its crude oil exports dropped sharply to 30,000 bpd in 2004 from 100,000 bpd in 2003, forcing the country to become a net oil importer for four months of last year, said the ministry's oil and gas director general Iin Arifin Takhyan.

Japan near agreeing to US mad cow proposal

REUTERS, Tokyo

A Japanese government panel studying mad cow disease is close to accepting the age verification method submitted by the United States last month, a move that could end a near 14-month ban on US beef, a newspaper said Tuesday.

How to determine the age of US cattle is a crucial issue in ending the import ban that Japan imposed after the United States reported its first case of mad cow disease in December 2003.

The meeting comes after Tokyo announced the country's first case of a human variant of mad cow disease, formally known as bovine spongiform encephalopathy, on Friday.