

# Make use of forward trade to ease pressure on forex

Bangladesh Bank asks fund managers

**STAR BUSINESS REPORT**

Bangladesh Bank yesterday asked fund managers of different commercial banks to take advantage of forward trade to ease pressure on foreign exchange.

The central bank officials briefed a group of managers in Dhaka on how they can utilise the forward trade facility without minimum risk citing several examples and making in-depth presentation, sources said.

In a bid to ease pressure on foreign exchange, the central bank last week relaxed its regulations relating to forward trade so that the fund managers can trade foreign exchange beyond their limits.

The new regulation allowed swap deals on the basis of counter-

party limit instead of net open position of foreign exchange. The counter-party limit will be fixed in line with the existing core-risk management guidelines, sources added.

The BB also increased cash reserve ratio (CRR) by half a percent to reach at 4.5 percent at the end of February for commercial banks that became effective from March 1. It is expected that the measure will help check the rising demand for greenback and discourage bank to avoid more lending.

According to the sources, the central bank prefers to inject greenback in the market cautiously and is not willing to take the foreign exchange reserves below three billion mark, having taken different measures to maintain the level.

The BB will have to pay about \$300 million to Asian Clearing Union (ACU) next week and the foreign exchange reserve was \$3195 million as on March 2, 2005.

Dollar price in the inter-bank foreign exchange market was Tk63.85 yesterday while the rate at the customers' end was Tk64.

The real effective exchange rate (REER) showed a depreciation trend at the end of the second quarter of current financial year, according to Bangladesh Bank's latest quarterly report.

The BB paid around US\$ 300 million to ACU in January. The amount was higher than the normal trend as opening of letters of credit (L/Cs) has gone up substantially in the recent months.

According to central bank statistics, imports rose by 26.65 percent in the first six months of the current fiscal year. Opening of L/Cs in the first half of this fiscal grew by 24.7 percent, which was 15.36 percent during the same period of the last financial year.

Import of food grain including rice and wheat went up sharply in the recent months, pushing demand for dollar up. Import of capital machinery and scrap vessels also rose heavily in the first half of the current financial year.

Remittance flow and export did not grow in the first half of the current financial year at the level the import grew during the period, which resulted in an imbalance, said a top official of BB.

## IT firm Kyliptix Solutions to hit local market soon

**STAR BUSINESS REPORT**

A US-based ICT company is going to introduce a wide range of latest wireless products and other IT solutions in local market.

The company is also planning to invest in infrastructure, oil and petroleum, real estate and shipping trade.

"We have already opened a branch in Dhaka and our products will be ready for the market within next two months," William Gast, president and chief executive officer of US-based company Kyliptix Solutions, told reporters at a briefing in Dhaka yesterday.

Gast said his company has already invested a huge amount of money in Bangladesh and will invest more this year.

"Technical support for the products of Kyliptix for Bangladesh market will be provided from its corporate office in California. But all future developments will take place here," he added.

## British co to set up composite textile factory in Comilla EPZ

**UNB, Dhaka**

An investor from British Virgin Island is going to establish a composite textile factory in Comilla Export Processing Zone at a cost of US\$ 5,246 million.

An agreement to this effect was signed here yesterday between the Bangladesh Export Processing Zones Authority (BEPZA) and the investor, Blossom Textile Limited, said a BEPZA press release.

Md Shahjahan, member (Investment Promotion) of BEPZA, and Yeung Ngai, director of Blossom Textile Limited, have signed the lease agreement on behalf of their respective sides.

The era is going to require a much greater dialogue that would reduce the risks and allow reward to go down as well. And then you have a much greater chance of success in the transactions," he said.

But the private sector would still have the final say on the rules of the game, he said. Indeed, senior officials from the Philippines and Indonesia indicated at the power conference they would provide power pool" at prices based on supply and demand.

But critics say no investor would build a merchant power plant in the Philippines due to the high regulatory risks there.

More talks are needed between private investors and the governments, which ADB can help, he said, adding that both the public and private sectors may need to lower their expectations so that a risk-reward balance can be restored.

"If it's a question of having electric power or not having electric power, then the choice I think is very clear. It is a black-and-white situation," Bestani said.

The Philippines and Indonesia are reluctant to offer PPAs -- which are currently the price of foreign power funding in developing countries -- partly on concerns they would add to their already heavy debt burdens, bankers say.

They also regard the terms asked by some foreign investors as excessively high, bankers say.

Many of the PPAs signed in the 1990s in Asia have been renegotiated to make them less onerous for governments following the 1997/98 Asian crisis, when massive devaluations in some Asian currencies plunged US dollar-financed projects with revenues in local currencies into crisis.

"If the industry is saying they need PPAs to come in, then there is nothing that is going to force them to come in without that," he said.

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The Philippines is preparing to launch this year a freed-up power market, under which power stations would sell their electricity to a

# Commerce ministry to seek PMO aid to set up API plant

Move to boost pharmaceutical export

**STAR BUSINESS REPORT**

The Ministry of Commerce will soon request the Prime Minister's Office (PMO) to take urgent initiatives to set up an active pharmaceutical ingredient (API) plant so that Bangladesh can get maximum benefit from a WTO rule on drug production without patents.

The commerce ministry will also seek PMO's help to relax outbound remittance sent by local pharmaceutical companies for drug registration and promote locally produced drugs in foreign countries.

At an inter-ministerial meeting on problems of local pharmaceutical companies with exporting drugs, the policymakers yesterday also decided to sit with finance ministry to discuss in detail offering cash incentives to local exporters.

The commerce ministry convened the inter-ministerial meeting following an instruction from Prime Minister Khaleda Zia at the inauguration of Asia Pharma Expo 2005 held last month in Dhaka.

Presided over by Commerce Secretary Siddiqur Rahman Chowdhury, the meeting was attended by senior officials of finance, health, industry, foreign affairs and home ministries, Bangladesh Bank, Export Promotion Bureau, National Board of Revenue and Tariff Commission

and representatives of pharmaceutical companies.

Meeting sources said commerce ministry will convene another inter-ministerial meeting and soon prepare a set of recommendations to be placed before PMO to solve problems of export-oriented pharmaceutical companies.

As a WTO rule allows companies of least-developed countries including Bangladesh to produce and export essential drugs without maintaining patents, Bangladesh can emerge as a major player in global drug market for it leads other LDCs in basic infrastructure, the meeting was told.

Other than office rent, which is very high in foreign cities, the companies also need to register their products with drug administrations of that particular country. The cost of registering a drug may go up to \$22,000. And to tap an optimum level of business, a company needs to register at least 20 to 25 drugs in a single country, the Bapi representatives told the meeting.

The Bapi representatives also called for setting up an independent quality control laboratory in the country for pharmaceutical products.

Bangladesh currently earns around Tk 60 crore a year from medicine exports. Industry people, however, forecast that the export earnings from the sector can hit Tk 10,000 crore a year by 2010 if the government sets up an active pharmaceutical ingredient plant and provides other supports.

# Regulatory risks mar Asia's power investment: ADB

**REUTERS, Singapore**

There is only one way for Asia's poor countries to avoid looming widespread blackouts: they must be "passionate" about fighting poverty -- and denied that Deputy US Defense Secretary Paul Wolfowitz was running for the post.

The 71-year-old, due to step down in June after a decade in office, praised Wolfowitz's skills, but said a report in the Financial Times this week was incorrect.

"He's not in the game so far as I know, because he's withdrawn his name," he told reporters when asked after talks in Brussels with EU commission chief Jose Manuel Barroso.

**Janata Ins' new vice chairman**

The board of directors of Janata Insurance Company Ltd elected Rubel Aziz vice chairman of the company on Sunday.

Aziz is also a director of Partex Group and the managing director of Partex Beverages and Partex Plastics, says a press release.

Shaky regulatory frameworks, marked by government or legal modeling in power tariffs, have prevented overseas investors from investing in the power sectors of the Philippines and Indonesia as they suffer chronic electricity shortages.

To lure capital, Manila and Jakarta may have to accept demands from private-sector investors for long-term power purchasing agreements, known as PPAs, which protect future returns for the investor by locking in a price formula for the electricity the plants produce, Bestani said.

The Philippines and Indonesia are reluctant to offer PPAs -- which are currently the price of foreign power funding in developing countries -- partly on concerns they would add to their already heavy debt burdens, bankers say.

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## Oil prices could hit \$80 in next 2 years: Opec

**AFP, Kuwait City**

Prices of crude oil could surge to as high as 80 dollars a barrel within the next two years but such a level would not last long, Opec's acting secretary general was quoted as saying Thursday.

"I can affirm that the price of a barrel of crude oil rising to 80 dollars in the near future is a weak possibility," Adnan Shehab-Eldin told Kuwait's Al-Qabas newspaper.

"But I cannot rule out the possibility of oil prices rising to 80 dollars a barrel within the next two years," he said.

"If the oil price rises to this level for one reason or another -- for example, interruption of supplies from a producing nation by one to two million barrels a day -- it is not expected to continue for long," he said.

Shehab-Eldin said a price rise between 50-60 dollars a barrel for a period of two years or more will inevitably boost investments to increase supplies and lead to a drop in demand, eventually reducing prices.

World oil prices were mixed Thursday after reaching four-month highs in New York and London the previous day amid a rise in US crude stocks and jitters over increased global demand.

New York's main contract, light sweet crude for delivery in April, fell 20 cents to 52.85 dollars a barrel in electronic dealing.

It had jumped 1.37 dollars to close at 53.05 dollars a barrel on Wednesday, the highest close since October 26.

In London on Thursday, the price of Brent North Sea crude oil for delivery in April gained 18 cents to 51.40 dollars a barrel.

Shehab-Eldin said it was in the interest of OPEC and other countries not to see "big and surprising spikes in oil prices, but a gradual balance."

The severest penalty for a violator would involve filing a complaint with the state industry regulator to

# Tk650cr project taken up to set up CNG re-fuelling stations

**Says state minister**

**STAR BUSINESS REPORT**

Rahimafrooz CNG Limited in Dhaka.

Mosharrif said Bangladesh spends a huge amount of money every year to import petroleum oil. "But if we use our natural gas for fueling cars, we can save the money," he added.

Quoting statistics, the state minister said now there are around 32,000 CNG-run vehicles in the country.

Niaz Rahim, managing director of Rahimafrooz CNG Limited, and Meghaloar Giampietro, a CNG specialist from Italy and general manager of Lo.gas.s.r.l, also spoke at the function.

# China's textile industry to adopt price controls

**AFP, Shanghai**

China's textile manufacturers are expected to adopt self-imposed price controls to prevent exports from flooding international markets, state press reported Thursday.

"A minimum price will be adopted under which textile exporters who sell their products at a price lower than that stated in the system would be punished," Wang Shenyang, director of the China Chamber of Commerce for the Import and Export of Textiles, was quoted as saying by the China Securities Journal.

The report did not say when the rules could take effect.

Chinese textile exporters, already a global powerhouse which accounted for 17 percent of the world's textile and clothing market in 2003, could grab some 50 percent of the market within three years as trade barriers come down.

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# SEDF to work on Unilever's sales automation project

SouthAsia Enterprise Development Facility, a multi-donor-funded facility managed by International Finance Corporation, will work on the national roll out of a sales automation programme, Project Durbin, of Unilever.

An agreement to this effect was signed yesterday between SEDF and Unilever Bangladesh Ltd, says a press release.

Officials of SEDF and Unilever signed the deal on behalf of their organisations.

Kazi Waqar Ahmed, director (Finance), Reazul Haque Chowdhury, director (Customer Management), of Unilever, Deepak Adhikary, acting general manager, and Rajeev Gopal, project manager, of SEDF were present on the occasion.

# US economy sound but Fed worries about budget

**REUTERS, New York**

The US economy is on a good footing and inflation is stable, but the country's large budget deficit and low savings rate are significant problems that must be addressed, Federal Reserve officials said Wednesday.

Federal Reserve Chairman Alan Greenspan warned about the dangers the budget shortfall posed to the economy in his testimony to the House of Representatives Budget Committee.

"You cannot continuously introduce legislation which tends to expand budget deficits because down the road the impact of an ever-rising deficit, especially as a percent of GDP, creates some significant weakness in the structure of the economy," he said.



Officials of Unilever Bangladesh Ltd and SouthAsia Enterprise Development Facility, a multi-donor-funded facility managed by International Finance Corporation, sign an agreement on the national roll out of Project Durbin, the sales automation project.

termite export licenses, Wang said.

Tighter controls over certain textile products categorised as "sensitive" were also needed if China was to avoid anti-dumping investigations abroad, he said.

The report did not say when the rules could take effect.

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On January 1, the multifibre agreement (MFA), which had allocated quotas of clothing and textiles for 30 years, was dismantled.