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DHAKA FRIDAY APRIL 22, 2005 E-mail: business@thedailystar.net

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Trade deficit widens further

REJAUL KARIM BYRON

Bangladesh's trade deficit widened further in the first seven months of the current fiscal year due to heavy import burden, putting pressure on current account balance.

The trade deficit increased by 68 percent to reach record high \$1.57 billion during July, 2004 - January, 2005 period, up from \$934 million during the corresponding period of the previous year.

The current account balance recorded a deficit of \$139 million during the period against a surplus of \$581 million in the same period of the preceding year.

For the first time in last three financial years, the current account balance hit deficit in this fiscal after maintaining surplus balance during

FY'02 to FY'04.

The central bank fears the alarming deficit in current account balance may put pressure on foreign exchange reserves and also affect the exchange rate.

Imports during July-January of FY'05 increased by 21.31 percent against a moderate 10.74 percent growth in export, creating a mismatch between import and export and leading to further widening of trade deficit.

Fresh opening of letters of credit (L/Cs) for import during July-February of FY'05 increased by 24.30 percent, which was 17.86 percent in the same period of the previous fiscal. The rise of L/Cs shows that the import will go up further in the coming months.

The huge import growth also led

to increase of deficit in international services under balance of payment. During July-January, the deficit in international services rose to \$647 million, which was \$398 million in the same period of previous fiscal.

Sources said international payment for transportation, travel cost in services increased due to import pressure.

The situation has already started to impact on foreign exchange reserve and exchange rate. The reserves remained static at \$3 billion till mid April of 2005.

The exchange rate of US dollar in inter-bank forex market shot up to record high 63.70 taka, which was only 59 taka in November 2004. The rate remained static at 63.70 taka only after a central bank's verbal instruction to commercial banks

not to allow dollar to surge further.

Private commercial bank sources said the exchange rate of dollar would have soared further if the central bank did not come up with the intervention.

Central bank sources said Bangladesh Bank withdrew L/C margin for all products last year to fulfil an IMF condition in order to get poverty reduction growth facility loan. So, BB cannot impose L/C margin to contain import.

BB sources said apart from capital machinery and raw materials, totally unproductive items like safety pin, chocolate, chanachur and parata are being imported in the country. Some consumer goods are being imported for the purpose of use in industry but the items are used elsewhere.

Agrani Bank to get \$50m working capital from Dutch firm

FMO, a Dutch development finance institution, will extend US\$ 50 million working capital facility to Agrani Bank.

A letter of interest to this effect has been signed recently between the two organisations, says a press release.

Syed Abu Naser Bukhtear Ahmed, managing director and chief executive officer of Agrani Bank, and Arthur Arnold, CEO of FMO, signed the deal on behalf of their organisations. Chairman of Board of Directors of Agrani Bank M Fazlur Rahman, Deputy Managing Director of the bank KM Ashaduzzaman and Ambassador of the Kingdom of the Netherlands Kees Beemsterboer were also present at the signing ceremony.

Regional integration push to ease Asian poverty

ADB president says

REUTERS, Tokyo

The Asian Development Bank said Wednesday promoting regional economic integration, its new priority, will reduce the gap in economic development and incomes in Asia fits with its mandate for reducing poverty.

ADB President Haruhiko Kuroda said its newly created office of regional economic integration would go beyond the ADB's current practice of promoting financial cooperation and fostering bond markets, adding that it would also support efforts to boost free trade agreements in Asia.

"Supporting economic integration will help reduce the gap of economic development and incomes among countries," Kuroda told Reuters in an interview.

"I would like to stress our plan to promote economic cooperation and integration," he said when asked about his key messages at the ADB's annual meeting on May 4-6 in Istanbul - his first as ADB president.

He said unlike the World Bank, which needs to provide aid to developing countries around the world, the ADB as a regional agency is also mandated to promote regional integration, which is linked to its

policy of poverty reduction.

"The ADB is not trying to jump-start the process of economic integration to create a single market in the Asia-Pacific," Kuroda said through a video conference link from Manila.

"But we would like to support efforts that are rooted in the region so that it will gradually promote economic integration."

Reflecting Kuroda's commitment to making regional cooperation a priority for the ADB, the development agency established a new office of regional economic integration in April.

Japan's exports pick up

AFP, Tokyo

Japan's March trade figures Thursday showed a marked pick-up in exports after recent slow growth, suggesting that the economy does indeed look set to do better later in the year.

Whilst the trade surplus for the month narrowed slightly, continuing a recent trend, economists said the good news was that exports were improving and this should get the world's second-largest economy back on track.

The data also showed that Japan's trade surplus for the year to March rose 1.3 percent to a five-year high of 11.35 trillion yen, backed by strong exports to Asia, the finance ministry said.



Managing Director of GrameenPhone Ltd Erik Aas formally inaugurates a GP sales centre at Uttara in Dhaka yesterday.



Mahbubur Rahman (C), president of International Chamber of Commerce-Bangladesh (ICC-B), speaks at the ICC-B Annual Council 2004 in Dhaka yesterday. ICC-B vice-presidents Samson H Chowdhury (2-L) and Latifur Rahman (2-R), MCCI President Kutubuddin Ahmed (extreme left) and BGMEA President Annisul Huq (extreme right) are also seen in the picture.

Bangladesh envoy to US calls on WB vice president

BSS, Washington

Bangladesh Ambassador to United States Shamsheer M Chowdhury made a courtesy call on World Bank Vice President for South Asian Region Praful C Patel at the latter's office here on Wednesday.

The ambassador appreciated WB's initiative to project the success stories of Bangladesh, particularly in education and micro-credit sectors in the Shanghai Summit last year and beyond.

He also thanked Patel and Wallich, WB's country director for Bangladesh, for the positive role they played in the so-called Washington donors' meeting in February last.

The ambassador appreciated Bangladesh Country Team's role in raising the credit amount for HNPSP from \$200 million to \$300 million and expressed hope that the program would be approved in the Executive Board on April 28, 2005.

The WB vice president also expressed his confidence that Bangladesh is set to achieve Millennium Development Goals. He appreciated the government's efforts for reforms already made in the macro-economic field, in overall governance including establishment of Anti-Graft Commission, procurement regulations and financial sector reforms.

ICC-B sees economic slowdown in 2005

STAR BUSINESS REPORT

International Chamber of Commerce (ICC)-Bangladesh has said the prevailing situation is indicative of an economic slowdown in the country during 2005.

"Factors such as shortfall in revenue mobilisation, inflationary pressure, liquidity crisis, probable setback in RMG exports due to MFA phaseout, higher oil and commodity prices in the global market and increased political instability do not bode well for the economy," said Mahbubur Rahman, president of ICC-B.

Presenting the report of the Executive Board at the Annual Council 2004 of ICC Bangladesh in Dhaka yesterday, Rahman, however, appeared to be optimistic about the growth of manufacturing sector and investment, both local and foreign.

A stable political environment, improved law and order and better governance can help create further scope for higher investment, he added.

ICC-B president urged the business leaders to put their combined efforts to bring the government and

the opposition parties for a dialogue to overcome the differences. He hoped the government will earnestly come forward to create a healthy environment for a dialogue with the political parties, business community and civil society to set aside some of the burning issues that are hindering overall growth potential of the country.

"It is high time that our leaders avoid confrontational politics, give up hartal culture, make parliament the centre of decision making process and create a congenial atmosphere so that Bangladesh can face the increasing challenges and achieve the Millennium Development Goals," Rahman observed.

He apprehended more political troubles in the coming days centering the caretaker government and electoral reform issues.

He said despite various constraints, Bangladesh still remains one of the most attractive investment destinations in Asia because of higher rate of return on investment and incentives offered to investors.

Rahman also said the pace of global economic growth is likely to

slowdown in 2005 and 2006.

ICC-B vice-presidents Latifur Rahman and Samson H Chowdhury, Chairman of Bangladesh Association of Banks Syed Manzur Elahi, FICCI President Mahbub Jamil, BGMEA President Annisul Huq, former deputy prime minister Jamal Uddin Ahmad, Managing Director of National Bank Limited, M Aminuzzaman, Managing Director of United Insurance Syed Aziz Ahmed, MD of BOC Bangladesh Limited Wali Bhuiyan, CEO of Citibank NA Mamun Rashid and MCCI Secretary General CK Hyder, among others, took part in the discussion.

The Council was attended by representatives of ICC-B member organisations including MCCI President Kutubuddin Ahmed, Insurance Association Chairman M Shamsul Alam, Chittagong Chamber President Saifuzzaman Chowdhury and First Vice-President of FBCCI, Kamaluddin Ahmed, Chief executives of banks, insurance companies, multinational and industrial houses also attended the council.

Duty cut on handsets seen key to cellphone industry growth

GP sales centre at Uttara opens

STAR BUSINESS REPORT

Slashing import duty on mobile phone sets is more important than reducing call charges for rapid growth of Bangladesh's cellphone industry, Erik Aas, managing director of GrameenPhone, said yesterday.

He was addressing the opening ceremony of a GP sales centre at Uttara in Dhaka.

Import duty on a handset is Tk 1,500 in Bangladesh.

Aas also said he welcomes any new cellphone operator, whether it is a public company or private firm.

"But a level-playing field should be ensured," he added.

With the opening of a new GP sales centre at Uttara, the total number of GP sales centre now stands at eight, out of which four are in Dhaka.

GP having 3 million subscribers, plans to bring 80 percent population under its network by the end of this year. Now, GP network covers 60 percent population of the country.

Currently, GP has all the districts under its coverage with 721 base stations.

Indian cabinet approves \$500m foreign investment

AFP, New Delhi

India's cabinet Wednesday approved a proposal by Dubai-based firm M.R. Properties to invest 500 million dollars to set up a modern township in a joint venture, Finance Minister P. Chidambaram said.

He said the Dubai-based firm will hold the majority 60 percent equity while the remaining 40 percent will be with India's MGF group.

The location of the project was not yet known, but the total cost would be 831 million dollars including the 500 million dollar foreign investment.

Chidambaram did not give any details about the time frame for completion of the project.

Chinese textile exports to EU soar 50pc in first quarter

AFP, Beijing

Chinese textile exports to the European Union rose "only" 50 percent in the first three months of the year, Premier Wen Jiabao said Thursday as the EU mulls whether to put the brakes on imports.

"During the first quarter of this year, exports of Chinese textile products towards Europe only increased by 50 percent. Before, it was 70 percent," Wen said, without giving further details.

Europe's textile industry is pressing the European Commission to impose safeguard measures to curb a flood of Chinese imports that followed the end of a global quota system on January 1.

A European Commission spokeswoman said last week the EU was waiting for "sufficient data" to decide if a probe was needed, the first step towards applying safeguard measures allowed under World Trade Organisation rules.

Claude Veron-Reville, spokeswoman for EU trade commissioner Peter Mandelson, said a decision was likely in April 25.

China has warned that imposing such limits could harm relations between Brussels and Beijing, and Wen defended China's efforts to stem exports to satisfy the EU and the United States.

"Since the end of the quotas, we have taken our own initiatives, like increasing customs duties on textile products exported in order to limit our exports," Wen said at a press conference with his visiting French counterpart Jean-Pierre Raffarin. In total, China's textile exports

soared 29 percent in the first three months of the year, with exports to the United States jumping 258 percent.

On January 1, a 31-year-old textile quota system expired, leaving producers in developed and developing states bracing for a wave of imports from China, whose manufacturers benefit from cheap labour and huge economies of scale.

China, the world's largest exporter of clothing with 28 percent of the market, is proving to be the main winner from the end of quotas because it is able to undercut producers with higher costs in other countries.

BRAC, Novartis sign MoU to provide free healthcare service

BRAC will extend healthcare facilities to the ultra-poor of the country for the second consecutive year with the medicines and other supports provided by Novartis (Bangladesh) Ltd, a global pharmaceutical company.

A memorandum of understanding (MoU) to this effect was signed recently between BRAC and Novartis, says a press release.

Ashfaqur Rahman, managing director of Novartis (Bangladesh), and Faruque Ahmed, director (Health and Nutrition) of BRAC, signed the MoU on behalf of their organisations.

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Sealed tenders in one-envelope system are hereby invited by Biman Bangladesh Airlines from interested manufacturers/distributors/suppliers for the supply of item mentioned below as per details/specifications mentioned in the schedule:

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2. GROUP: "B" (COM) IVORY BOARD WHITE 170-190 GSM, SIZE: 22"X28"	QTY: 228 PKT (PKT OF 100 SHEET).
3. GROUP: "C" (COM) PRINTING PAPER WHITE 60-70 GSM, SIZE: 23"X36"	QTY: 620 REAM (REAM OF 500 SHEET).
4. GROUP: "D" (COM) SELF CARBONIZED PAPER WHITE 40-45 GSM, SIZE: 23"X36"	QTY: 24 REAM (REAM OF 500 SHEET).
5. GROUP: "E" (COM) 4 QR RULLED REGISTER 384 PAGES/REGISTER	QTY: 1500 EA
6. GROUP: "F" (COM)-(RE-TENDER) GLACIER ART CARD WHITE BOTH SIDE GLOSSY 250 GSM, SIZE: 22"X28"	QTY: 480 PKT (PKT OF 100 SHEET).
7. GROUP: "G" (COM)-(RE-TENDER) IVORY BOARD LIGHT GREEN 170-190 GSM, SIZE: 22"X28"	QTY: 180 PKT (PKT OF 100 SHEET).

Tender schedule mentioning full details/specification, terms and conditions of the above items will be available from the Manager (Cash & Banking), Head Office, "Balaka", Dhaka of Biman Finance Directorate on payment of Tk. 400/- (four hundred) only per set (Per Group) non-refundable by applying in own letterhead pad during any working day up to 28/05/2005.

Sealed tenders should be dropped in the tender box kept in Local Purchase Section, Stores & Purchase Directorate, Admin Building, Biman, ZIA, Dhaka and Biman Press Building, Farmgate, Tejgaon, Dhaka latest by 11:00 hrs (BST) on 29/05/2005 and will be opened on the same day at 14:00 hrs at the tender room of Stores & Purchase Directorate, Admin Building, Biman, ZIA, Dhaka in presence of the tenderers (if any).

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