

Saifur dismisses dollar crisis

STAR BUSINESS REPORT

Finance and Planning Minister M Saifur Rahman yesterday dismissed dollar crisis in the country. "There is no dollar crisis in the country. We have adequate reserves," he told newsmen after a meeting with the state minister for civil aviation in Dhaka.

Some banks, which are inefficient, are facing problems as they have recklessly opened a huge number of letters of credit on speculation, he said.

The finance minister made the comment after a section of importers alleged that banks are not opening letters of credit (L/Cs) for

importing capital machinery, raw materials and spare parts due to dollar crisis in banks.

According to sources, some of the small private commercial banks (PCBs) have been unable to settle their L/C payments for the last couple of months.

However, a highly placed source at the Bangladesh Bank said the central bank has injected around US\$ 500 million from January to the first week of July.

"We have pumped about \$130 million in June alone and \$25 million in the first four working days of this month," he explained commenting on the banks' allegation about the present crisis of

dollar.

The BB is yet to intervene, he said adding banks have opened a significant number of L/Cs for importing luxury items. The BB will not inject foreign currency in banks any more if they continue to open L/Cs without prudence.

The present situation is a learning process for banks and they should learn how to manage the market, the BB official said hoping that the situation will improve shortly.

The central bank is cautiously monitoring the market so that the difference in transactions does not go beyond Tk 1.

According to BB sources,

foreign currency reserves as of July 4 were a bit less than three billion, US\$2999.24 million. The foreign exchange reserves have been under pressure following unusual rise in L/C opening.

L/Cs worth more than one billion dollar are being opened every month. The value of opening of L/Cs during July-May period of the just concluded 2004-05 fiscal year amounted to \$13.01 billion, up by 17.22 percent over the corresponding period in FY2003-04.

Greenback price in the inter-bank foreign exchange market was Tk 63.79 per unit while the rate for L/C was Tk 65.7 yesterday.

Lufthansa to merge with Swiss after EU approval

AFP, Brussels

German carrier Lufthansa and Swiss International Air Lines are set to merge after the European Commission on Tuesday approved Lufthansa's acquisition of Swiss, in a further consolidation of European airlines.

But the commission said that the purchase was dependent on the parties surrendering take-off and landing slots notably at Zurich and Frankfurt airports, and other concessions.

"In light of these commitments, the commission has concluded that the transaction would not significantly impede effective competition," said the commission, the executive which regulates competition in the 25 member states.

Lufthansa has said it wants to acquire Swiss to expand its international network and boost its competitive position in Europe.

The purchase, which cost Lufthansa up to 310 million euros (370 million dollars), is the second-biggest merger in the European aviation sector following that of Air France and KLM a year ago.

Germany's flag carrier signed a deal on March 22 to take over its ailing Swiss counterpart, which was created after Swissair collapsed in 2001.

New chairman of Trust Bank

UNB, Dhaka

Chief of Army Staff Lieutenant General Moeen U Ahmed, has been made chairman of Trust Bank Limited for a three-year term.

He was selected at a meeting of the Board of Directors of the bank in Dhaka on Sunday.

Earlier, Army Welfare Trust, the sponsor shareholder of the bank, nominated him a director of the bank, said an ISPR release.

Foreign aid, investment in private sector need scrutiny

Says BB governor

BDNEWS, Dhaka

Central bank Governor Salehuddin Ahmed yesterday said the role of foreign aid and investment in private sector has to be critically examined to ensure that the country's interest is not harmed.

"Aid may be used as a leverage to promote the interest of donor countries and multinational companies to the detriment of local private sector development," the Bangladesh Bank (BB) Governor said at a seminar on "Aid and Public-Private Partnership in Bangladesh."

He said in some cases the modalities through which one seeks to assist private sector may not meet the felt needs.

Salehuddin referred to direct assistance to the private sector through the development financing institutions (DFIs) and investment, with partial or total counter guarantee provided by the government,

calling for a scrutiny of such funding. "...an important negative consequence of aid is that it can create perverse incentives for the private sector in the sense of excessive dependence on state patronage," he said.

This can seriously undermine sustained growth of genuine entrepreneurship and private sector efficiency may be compromised by the unhealthy race for access to state patronage, he added.

He also said some aid conditionalities may hurt private sector, giving example of rapid trade liberalisation.

The seminar organised by the Financial Management Academy of the Bangladesh Comptroller and Auditor General (CAG) at its auditorium was also addressed by Asif Ali, comptroller and auditor general, and high officials of the academy and CAG.

Salehuddin said NGO governance will be discussed in future to find ways to ensure their accountability and stop wastage of foreign aid.

He referred to the success of his previous organisation, Palli Karma Sahayak Foundation (PKSF), and said the share of this organisation in the revolving loan fund of the micro finance institutions (MFIs) rose from 9 percent in 1996 to 24 percent in 2002. Asif Ali said many donors, such as the World Bank (WB), Canadian International Development Agency (CIDA) and Danish International Development Agency (DANIDA), are interested to finance human resources development initiative in the accounting field.

But the government will not negotiate another aid before completion of the ongoing donor-funded projects in the area, he added.

New DMD of Prime Ins



Ferdous Ara Chowdhury has recently been made deputy managing director of Prime Insurance Company Ltd.

Prior to her new assignment, she was the assistant managing director of the company.

An active Rotarian Ferdous Ara started her career in Green Delta Insurance Company in 1986, says a press release.

Euro drops to 13-month low against dollar

AFP, London

The euro fell to a fresh 13-month low point against the dollar on Tuesday in early European trading, before recovering slightly, while the US unit firmed against the yen.

The euro rose to 1.1917 dollars in early European trading, from 1.1899 late on Monday in New York.

Stop illegal influx of foreign textiles

Textile unit owners urge govt

UNB, Dhaka

Textile entrepreneurs yesterday urged the government to immediately stop illegal influx of foreign textiles, which are gobbling up the domestic market.

"Even a 30 percent cash incentives will not be able to help the industry survive unless the illegal huge imports come to an end," Bangladesh Textile Mills Association (BTMA) Chairman MA Awal told the news agency in Dhaka after a meeting on the textile industry.

The meeting of the FBCCI Standing Committee on Textile, Specialised Textile and Backward Linkage Industries observed that Islampur and Babu Bazar clothing hubs in Dhaka, as also other places in the country, are getting inundated with an import glut of fabrics, mainly from China and India.

The fabrics from China are being

imported through under-invoicing and those from India are coming either through smuggling conduits or misdeclaration such as 4-5 truckloads of fabrics coming against an invoice for one-truck imports through land ports, Awal said.

He said the recent pressure on foreign exchange is an outcome of under-invoicing, as importers pay the rest of the import value to the exporters through diverting hard-earned foreign currencies using hundi, an illegal way of money transfer.

"This malpractice is being done in connivance with a section of customs officials," said the industry leader, who is also the chairman of the standing committee of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI).

Growth of the woven sub-sector of the country's clothing industry is being hampered due to such under-

hand dealings, he observed.

"We can be self-sufficient in woven textiles like the knit sub-sector in only three years if the malpractice is removed as well as the government announces an incentive package for the industry similar to those in neighbouring countries," he said.

The meeting also reviewed the incentive package in Pakistan and India, including interest rates on bank loans for textiles at 3.5 percent in Pakistan and 6 percent in India.

Textile entrepreneur Mohammed Harun Ur Rashid described a horrendous picture of under-invoicing, saying the shirting fabrics of US\$1.20 per meter on Chinese market are being imported at an invoiced price of 20 to 25 US cents while suiting fabrics of US\$2.5 per meter imported at 40-50 cents.

"The rest of the import value is being paid through hundi," he said.

Oil prices extend gains, edge close to \$60

AFP, Singapore

Oil prices continued to edge higher in Asian trade Tuesday, extending gains on the view there is still more upside to come given tight supply, dealers said.

At 11:20 am (0320 GMT), New York's main contract, light sweet crude for August delivery was up 33 cents to 59.08 dollars a barrel from its close of 58.75 dollars in the United States Friday. The contract was not traded Monday owing to the Independence Day holiday.

"The bullish sentiment is still intact," said Dave Ernsberger, the Asia oil director at energy information provider Platts.

"Asian traders today are really looking for an extension of Friday's trade," he said.

On Friday, the contract rose 2.25 dollars to 58.75 dollars on expectations of a big increase in petrol consumption during the long weekend in the United States.

Americans traditionally take advantage of the long weekend by hitting the roads in large numbers, sending demand for petrol (gasoline) soaring.

"A lot of people noted the strong finish on Friday and that sentiment has carried over today," said Ernsberger.

"What that tells us is that no one is seeing any selling opportunity just yet," he said.

A week ago New York futures struck an all-time high of 60.95 dollars on concerns a possible global supply shortage of distillates, including heating fuel, during the fourth quarter as the northern hemisphere winter kicks in.

Prices had eased after last Wednesday's unexpected rise in US crude inventories and analysts said the weekly US government report on oil stocks will again be a major factor as to whether oil breaches 60 dollars again.

Malaysia eyes halal goods business

AFP, Kuala Lumpur

Halal shoes, meat and other foodstuffs have long been staples of households in the Muslim world. But halal toothpaste, face cream, floor cleaner, paint brushes and beauty products?

A glimpse in Nora Rosely's make-up bag is an insight into a booming industry that Malaysian trade officials say is potentially worth 560 billion dollars a year worldwide.

The collection includes facial creams, skin toners, lipsticks, cosmetic applicators and perfume -- and all the items are certified halal, or allowable under Islam.

"It started when I went overseas when I was 18. I became more aware of what halal means and what to eat and not to eat, so I checked labels and ingredients," Nora says.

"Back home in Malaysia you take for granted that everything is halal." The 38-year-old teacher is one of a growing number of consumers in Malaysia and worldwide who have the will, and the money, to ensure that as many of the products in their home as possible are halal.

"My husband is quite particular. He was prescribed with medication that said the gelatine capsule was from a bovine source. Although it's from beef, for us, halal means it has to be slaughtered by a Muslim, so he

emailed the manufacturer to ask," says Nora, adding they are still waiting for a reply.

The concept of halal -- meaning "permissible" in Arabic -- has traditionally been applied to food. Pork and its by-products, alcohol and animals not slaughtered according to Koranic procedures are all "haram" or forbidden.

But manufacturers are cashing in on the concept that virtually all goods and services can be certified halal, including cosmetics, clothing, pharmaceuticals, financial services and even tour packages.

Malaysia believes the market is currently worth 150 billion dollars annually, but could expand almost fourfold based on an estimated 1.8 billion Muslims worldwide each spending 85 cents on food every day.

The opportunity has Malaysia, a predominantly Muslim country with sizeable Chinese and Indian minorities, scrambling to be part of what Prime Minister Abdullah Ahmad Badawi has called a "new global market force".

Its bid to market itself as a global centre for the manufacture and export of halal products is being promoted by a government which advocates a moderate version of Islam that emphasises economic and scientific progress.



Ruhul Amin (C), president of Bangladesh German Chamber of Commerce and Industry (BGCCI), speaks at a press briefing in Dhaka yesterday. BGCCI organised the briefing to explain the outcome of the visit of a business delegation to Germany from June 6 to June 11. Dietrich Andreas (L), German ambassador in Dhaka, and Nasir A Choudhury (R), vice president of BGCCI, are also seen in the picture.

GSM assoc plans to make mobile set available at \$30

STAR BUSINESS REPORT

The GSM Association (GSMA), the global organisation representing the global system for mobile communication industry, has taken up an initiative to make cellphone sets available at less than US\$30 a unit.

The objective of the initiative with an invitation to strategic partnership issued to handset manufacturers is to offer ultra-low cost sets to developing country markets like Bangladesh.

Erik Aas, CEO of Bangladesh's GrameenPhone Ltd, will chair the steering committee managing the GSMA initiative while Arve Johansen, GSMA Board member and Telenor Mobile CEO, will be the sponsor of the committee.

Other members of the steering

committee include GSM operators serving in emerging markets.

"Operating in developing markets means that we are dealing with the challenges on a day-to-day basis," said Aas. "We must ensure that the realities of the issues faced by developing countries are addressed."

Open to handset manufacturers worldwide, the result of the selection process will be announced at the 3GSM World Congress Asia in Singapore at the end of September, with new handsets expected to be available from Q1 2006.

"Effective communication is one of the key catalysts for economic growth. The GSMA is bringing together operators and vendors to

address the affordability issues of mobility in emerging markets," said Craig Ehrlich, chairman of the GSM Association.

"The next phase of our initiative aims to drive even greater affordability, through sustainable products, at even lower cost than the first phase of the programme. At the right entry level we believe there is the potential for over a hundred million new connections per year."

The GSMA's determination to create a sustainable ultra-low cost handset segment has ignited huge global support. Motorola won an initial supply tender earlier this year, and is already on target to meet the programme's anticipated volume of six million units.

Blair wishes Bangladesh show in UK a success

BSS, Dhaka

British Prime Minister Tony Blair has lauded the initiative to hold "Expo-Bangladesh 2005", the first single country exhibition of Bangladeshi products in London, organisers said.

In a recent letter of appreciation to the event organisers, Bangladesh-British Chamber of Commerce and Industry (BBCCI), Blair wished the event a success.

Preparations are underway for the three-day show to be staged at the Barbican Center in London from September 15 to 17.

British business and media, including BBC, are extending all out support to the event.

"This is exclusively an initiative of non-resident Bangladeshis in the UK under the aegis of BBCCI,"

Anwar Hossain, resident director of the joint chamber in Dhaka, told the news agency on Monday.

The Export Promotion Bureau (EPB) and Bangladesh High Commission to the UK are lending support to the efforts.

The Bangladeshi community in the UK has taken the move to promote new export sectors of Bangladesh and its positive image to British and the European people, Hossain said.

It aims at showing the wide range of new products that Bangladesh is now producing, such as bicycles, pharmaceuticals and above all RMG, to the European buyers. It will also deliver the message to the British and the European businesses that Bangladesh is now a prospective place for investment.

"Impressive display of

exportables in stalls, cultural events, fashion shows, food festivals and seminars will present the country's changing face," Hossain said.

He said the UK can work as the gateway to Europe for Bangladesh's business and the BBCCI is out to exploit this window to find new markets.

"The fair will facilitate networking of our exports with established and new buyers," he hoped.

Anwar said BBCCI has hired a specialised marketing firm and it is pushing vigorous marketing drive for products of the participants to European buyers.

Participants will be limited to 80 of which 60 firms are going from Bangladesh.