

Import expenses lead to dollar crisis

Says central bank governor

STAR BUSINESS REPORT

Bangladesh Bank (BB) Governor Salehuddin Ahmed yesterday said the country's import expenses were double than export earnings and remittances during the last couple of months, which added further to the dollar crisis.

"The central bank, so far, released \$500 million in the market in the last six months as predominant measures to bring back normalcy in the foreign currency liquidity," the governor said at a seminar on 'Financial Sector Reforms' in Dhaka.

He said the central bank has to maintain a standard foreign currency reserve for luring foreign direct investment. "Tata has inquired about the current status of the foreign currency reserve. If a suitable reserve is not maintained, the foreign investors may lose interest to invest in the country," he added.

Bangladesh University organised the seminar where former finance minister M Syeduzzaman, former governor M Farahuddin also spoke. BU Vice Chancellor Quazi Azher Ali was in the chair.

Regarding the existing foreign exchange volatility, the BB governor said, it is a learning part of the free floatation monetary regime. "And repeated devaluation of taka against dollar is a market process of the monetary regime."

Ahmed said BB does not want to use direct instruments to correct the disorders and market rigidities, rather the correction would depend on the market fundamentals. "Once



Bangladesh Bank Governor Salehuddin Ahmed speaks at a seminar on 'Financial Sector Reforms' in Dhaka yesterday. PHOTO: STAR

the inflation is contained, nominal interest would go down paving the way to increased investment in the economy," he hoped.

Syeduzzaman suggested that the central bank should take account of flexibility of interest rate, capital adequacy ratio, concept of priority sector credit and acceptable accounting standard for the ongoing financial sector reforms. Prudential norms for income recognition and

asset classification should also be considered, he added.

He said political consideration sometimes bedevils the financial sector reforms.

He, however, opposed introducing subsidised interest rate as financial sector reforms saying, "Timely and availability of credit is more important to the borrowers."

Farahuddin, on the other hand, supported higher interest rate to

speed up national growth. Higher interest rate means higher savings and higher savings pave the way for higher investment, he observed.

He cited the example of South Korea and Japan. When interest rate in South Korea was high, its overall growth was also high and when interest rate was low in Japan, the growth rate became stagnant, said the former BB governor.

Civil society holds LDC Forum on WTO

The first meeting of the National Advisory Committee (NAC) of the pre-Hong Kong Global Civil Society Forum was held at the Centre for Policy Dialogue (CPD) office in Dhaka yesterday.

The NAC consists of 24 organisations including leading chambers, exporters' associations, trade unions, development NGOs and gender and environment groups.

The CPD is organising the international civil society conclave, says a press release.

The forum will be held in Dhaka on October 3-5 2005 in connection with the forthcoming WTO ministerial meeting in Hong Kong in December 13-18, 2005.

The forum is to promote and advance the interest of least developed countries (LDCs) in the ongoing negotiations under the Doha round. It will create an opportunity for the stakeholder groups to review the official work plan for the HK ministerial. The Forum will also scrutinise the proposals submitted by WTO member countries for negotiation.

Action Aid International, Consumers International, Enda Tiers Mode, EU-LDC Network, Oxfam International, South Asia Watch on Trade, Economics and Environment (SAWTEE), International Centre for Trade and Sustainable Development (ICTSD), and Southern and Eastern African Trade Information and Negotiations Institute (SEATINI) are co-organisers of the Forum.

CPD Executive Director Debapriya Bhattacharya chaired the meeting of NAC, which discussed objectives, scope and contents of the forum. The agenda of the forum will include market access for agricultural, non-agricultural products and services, TRIPS, Trade Facilitation and WTO rules.

The Forum will also focus on development issues including Special and Differential Treatment (S&D), Finance and Debt, and Trade Related Technical Assistance.

Mahbubur Rahman, president of International Chamber of Commerce (ICC), Bangladesh, and Khushi Kabir, coordinator of Nijera Kori, were elected chair and co-chair of the NAC. CPD will act as the secretariat of the Forum.

Abdul Mueed Chowdhury, executive director of Brac, Qazi Faruque Ahmed, president of Proshika, Atiq Rahman, executive director of BCAS, Mahfuzullah, secretary general of CFSD, Selima Ahmed, president of BWCCI, Zafur Hassan, secretary general of BILS, and Manzur Ahmed, director of FBCCI, among others, were present.

Representatives from MCCI, DCCI, BAPA, WEAB, Action Aid International, Oxfam International, Nari Uddog Kendra, Consumers Association of Bangladesh, BEI also attended the meeting.

Posco to invest \$900m in dedicated Indian port

ANN/ THE STATESMAN

Posco, the world's fifth largest steel company, will invest \$900 million to set up a dedicated port at Jatadhari in Orissa. The construction of the dedicated port will be done in two phases. The first phase will see an investment of \$600 million, which will be distributed in two modules of \$400 million and \$200 million.

During the second phase, Posco will make an additional investment of \$300 million, taking the total investment in the port to \$900 million.

The setting up of this dedicated port will be part of Posco's overall investment of \$12 billion in Orissa.

According to the MoU signed on 22 June, between Posco and the Orissa government, the latter would consider granting the company permission under its existing policy for development and operation of such a port as per standard concessions prescribed.

Posco plans to build a three-million-tonne capacity steel plant, by means of the blast furnace or Finex route, during the first phase between 2007 and 2010 and expand the final production volume to 12 million tonnes.

The investment proposed is to the tune of \$12 billion, including an initial investment of \$3 billion during the first phase.

The investment will also include building of necessary infrastructure and logistics such as roads, township, water, power and port in the region, in which the Orissa government would provide as needed.

Through the ongoing feasibility study, Posco found that the port at Paradeep did not meet its standard requirements to handle the desired tonnage capacity.

Share prices fall amid growing political stress

BDNEWS, Dhaka

Share prices on both Dhaka and Chittagong stock exchanges fell sharply yesterday amid growing political tension over an opposition move to push for election commission and caretaker government reforms, stock dealers said.

They also attributed the fall to the withdrawal of funds by traders from the secondary market for subscription of primary shares, being offered by a number of new companies.

The composite index of the Dhaka Stock Exchange (DSE) slipped 39.33 points, or 3.14 percent, to close at 1211.91 points, while that of Chittagong Stock Exchange (CSE) fell 2.63 percent to close at 3110.30 points yesterday.

Prices of only 12 issues gained on the DSE against 134 issues losing and 17 remaining unchanged. While on CSE, only

five issues gained against 51 losing and one remaining unchanged.

Several dealers, however, said closure of the bourses for two consecutive days on Friday and Saturday might have an impact on the prices, which could bounce back within a day or two.

Declaration of dividends by most of the banks could have also prompted the traders to keep their funds away from the market until the dividend-driven surge in prices gets corrected, they added.

Former DSE chairman Imtiaz Husain said, "Electoral reforms proposal by the Awami League-led 14-party opposition group might have created a fear among the investors about political tensions ahead."

He referred to the early 1996 period and said the market experienced a continuous decline at that time due to intensified anti-government movement.

DSE's immediate past chairman

Ahmed Iqbal Hasan said a selling pressure caused by two days of closure of the bourses could have a role in pushing down the prices.

Investors are also keeping funds in hands to subscribe the new IPOs (initial public offerings) being floated by a number of companies, he added.

Ahsanul Islam, managing director of Mona Financial Consultancy and Securities Ltd, said most of the banks have issued their declarations about bonus and right shares. There is hardly anything in the market to influence a price hike, he added.

Ten IPOs worth Tk 925 million are to be floated between July-September period, of which one has already been floated.

The IPOs are expected to lead to a diversion of funds worth Tk 1 billion from the secondary to primary market, dealers said.

Int'l consultancy starts Bangladesh operations

Offers business solutions to corporate houses

STAR BUSINESS REPORT

A multinational business strategy consultant has started operating in Bangladesh to provide better and sophisticated business solutions for local corporate houses.

The firm, MTI Consulting, will offer strategic business planning, restructuring, marketing and brand solutions, sales, channel management, and supply chain solutions to local ventures.

Against the backdrop of opening a new regional office in Dhaka, Sri Lankan-born Country Manager of the consulting firm Dhanushka Jayakody said his firm is offering services to 250 client-specific projects in 28 countries across the world.

Jayakody said MTI's vision is to provide business strategy consultancy for businesses to help gain better results.

The company focuses on devel-

oping and implementing innovative solutions to meet the client's individual needs that may range from strategic planning requirements to day-to-day operations, the country manager said.

MTI, headquartered in Bahrain, strongly believes that Bangladesh has a large untapped market with tremendous growth potential and endless business opportunities, he added.

"As a strategic business consultancy, we feel we will be able to add value to our client organisations in helping them take advantage of the opportunities that exist in this country," Jayakody said.

MTI, which started its operation in 1997, is serving internationally renowned companies such as American Express, Citibank, DHL, JWT, KPMG, New Zealand Milk, Saatchi & Saatchi, Sri Lankan Airlines, Standard Chartered Bank and Triumph International.

UK tourism back on track after bombings

AFP, London

Britain's tourism industry has quickly recovered from the London bomb attacks, with visitors deciding against cancelling holidays to flock to the capital's attractions, travel organisations insist.

The medium-to-long term impact for the sector is not so clear, however, following the July 7 suicide attacks on London's transport network that killed at least 55 people and injured hundreds more.

"There may be some downturn over the next few weeks but we expect any impact to be very limited and for a short duration," said Stephen Dowd, chief executive of UKInbound, the trade association representing Britain's inbound tourism industry.

In a bid to assess any future impact, UKInbound and other tourism bodies have commissioned a series of studies, with the first report set to be published in about six weeks.

"It's far too early to make any predictions" about the long-term consequences on Britain's tourism industry after bombs ripped through the capital's transport network, said Zoe Shurgold, a spokeswoman for Visit London -- the capital's official tourism organisation.

Aveve Starch MD visits Flamingo plant in Joypurhat

STAFF CORRESPONDENT, Bogra

A top official of Aveve Starch, an international starch importer, recently visited Flamingo Agro-Tech Ltd (FATL), a potato starch factory at Tilakpur in Joypurhat district.

During his two-day visit, Ir Jan Feijen, managing director of Aveve Starch, told journalists at a press conference that he was very much impressed with the performance of the factory.

FATL is better than some other starch companies in South Asia especially those in India, he added.

It is a hundred percent export-oriented starch factory in South Asia, which had signed an agreement with Aveve Starch before its production started, said AK Siddique, MD of FATL. He added Aveve purchased in advance all the starch products of the company that will be produced during the next five years.

FATL is the first-ever starch company set up in Bangladesh at a cost of around Tk 64 crore at Tilakpur, a potato-producing hub in the northern region.

The company will earn at least US\$ 30,000 per day, said the MD of FATL.

At least 60 thousand potato growers will be directly benefited from the factory as the plant will consume at least 60 thousand metric tonnes of potato per year, he added.

Infineon top official offers to resign amid graft scam

AFP, Berlin

A top manager at German semiconductor giant Infineon, Andreas von Zitzewitz, has offered to resign amid a prosecutor's investigation into alleged corruption at Europe's second-largest computer chip maker, the company announced.

Zitzewitz, who heads the memory division of the Bavarian computer chip maker, informed Infineon's chairman Max Dietrich Kley of his willingness to quit his post immediately, the company said late Saturday, adding that the resignation must still be approved by management.

Infineon said Saturday that Munich's prosecutor had searched the group's headquarters and the homes of several company directors. An unidentified director was also questioned by authorities.

Expedite duty free access process of 129 goods

Altat urges Thai govt

STAR BUSINESS REPORT

Commerce Minister Altat Hossain Choudhury yesterday urged the Thai government to expedite the process of awarding duty free access of 129 Bangladeshi goods to the Thai market.

Recently, the Thai government announced duty free access of 129 products and a concessional duty rate for 231 items from Bangladesh to its market.

"There is a huge trade gap between Bangladesh and Thailand," the commerce minister said. The trade gap amounted to US\$220.40 million in 2003-04, which was in favour of Thailand.

Official data showed that in the last 13 years the export volume of Bangladesh to Thailand increased at an annual compounded rate of 9.19 percent pushing up the amount from \$8.9 million in 1991-92 to \$22.79 million in 2003-04. During the same period, imports from Thailand increased at an annual compounded rate of 17.95 percent shooting up the amount from \$23.64 million to \$243.19 million.

The minister was addressing a

seminar on 'Potential of Trade and Investment between Bangladesh and Thailand' jointly organised by Thai Embassy in Dhaka, Bangladesh-Thai Chamber of Commerce and Industry (BTCCI) and Thai-Bangladesh Business Council (TBBC) in Dhaka.

He said exchange of trade missions and organising trade fairs are key to boosting trade between the two countries.

Inviting the Thai investors to healthcare, flower cultivation, tourism, textile and light engineering sectors in Bangladesh, the minister said most Bangladeshi products enjoy complete duty free access to the EU, Australia, the Netherlands, Canada and Norway markets.

"Bangladesh government has offered attractive incentive packages including foreign investment with a 100 percent repatriation profits, bonded warehouse facilities for investment in special zones, tax holiday and avoidance of double taxation to foreign investors," he said.

Speaking at the seminar, President of Federation of

Bangladesh Chambers of Commerce and Industry (FBCCI) Abdul Awal Minto said trade gap between the two countries is gradually widening which should be narrowed down.

He, however, noted Bangladeshi businesspeople are also responsible for this huge trade gap.

"Had Bangladeshi entrepreneurs gone to Thailand with their products, the gap would have been reduced," he said hoping that the Bangladesh single-country fair in Thailand next year would help the country scale down the gap.

Emphasising regional co-operation, Thai Ambassador Suphat Chitranukroh said Thai entrepreneurs are interested in IT, agriculture, electronics, automobiles, home appliances and cosmetics sectors of Bangladesh.

Among others, President of Dhaka Chamber of Commerce and Industry Sayeeful Islam and TBBC President Mingpant Chanyavichitslip spoke at the meet, which was presided over by BTCCI President Rashed Maksud Khan.



Ir Jan Feijen (2-L), managing director of Aveve Starch, an international starch importer, and top officials of Flamingo Agro-Tech Ltd (FATL), a potato starch factory at Tilakpur in Joypurhat, are seen at a press conference recently during Feijen's visit to the local potato starch plant. PHOTO: STAR