

## Sri Lanka set for tax cuts

AFP, Colombo

Sri Lanka is set to offer generous tax cuts in the annual budget Tuesday despite a sharp 23 percent increase in defence spending, official sources said.

Finance Minister Sarath Amunugama told reporters here Monday that he will go ahead with presenting the budget despite protests from the opposition that it amounted to an undue advantage to the ruling party ahead of the November 17 vote.

Amunugama said the thrust of government spending next year would be to boost the health, education, information technology and infrastructure sectors, but he declined to discuss details of his revenue measures.

"The (outgoing) President (Chandrika Kumaratunga) has laid a solid foundation for a six percent GDP growth next year," Amunugama said.

He declined to give details but finance ministry officials said the government was planning to offer duty free cars to public servants and a plethora of tax cuts to importers and industrialists.

"Despite twin shocks of oil and tsunami, our economy is doing well," Amunugama said adding that the government planned to tap the overseas debt market to fund large infrastructure projects.

Presentation of the budget will be 11 days ahead of the presidential election and local newspapers have lampooned him for trying to offer "carrots" to the electorate.

Documents presented to parliament last month showed that the government was planning to spend 23 percent more on defence next year, raising the defence budget to nearly 700 million dollars.

## Bridgestone to build research centre in China

AFP, Tokyo

Japan's Bridgestone, the world's second largest tire maker, said Monday it will set up its first research and development center in China to aid production and sales in the fast-growing market.

Bridgestone said it has earmarked 14 million dollars for the center, which will open in the eastern city of Wuxi near Shanghai in July 2006. Initial capitalization will be 7.25 million dollars, it said in a statement.

It is the company's fourth research and development center after those in Tokyo, Rome and Akron in the US state of Ohio.

"Bridgestone aims to strengthen its local research and development capabilities in line with rapid advancements in motorization in China," the statement said.

Bridgestone said last week that its net profit doubled in the nine months to September as strong sales offset higher raw material costs.

## China to spend \$180b to boost renewable energy use

AFP, Beijing

China said Monday it would spend about 180 billion dollars over the next 15 years to increase its use of renewable energy to 15 percent of the total generated, from the current seven percent.

Zhang Guobao, vice minister of the National Development and Reform Commission, revealed the plan at an international conference on renewable energy in Beijing, Xinhua news agency reported.

"Renewable energy, including solar, wind power and hydropower, will contribute to better energy security in China," said Zhang.

"It also delivers substantial economic and environmental results, alleviating poverty."

In the coming 15 years China will actively develop biomass energy and hopes to replace ten million tons of petroleum with renewable energy annually, Zhang said.

China also plans to expand the heat collection area of solar heaters to 300 million cubic meters (390 million cubic yards) by 2020, replacing the use of about 40 million tons of standard coal each year.

# Tk 100cr hydrogen peroxide plant goes into trial production

UNB, Dhaka

A Tk 100-crore chemical plant, built with Chinese technical assistance and machinery to produce hydrogen peroxide, has gone into trial production to meet the demand for industrial chemicals in the country.

The new plant, HP Chemicals Ltd, the first of its kind in Bangladesh, has been set up at Bolta in Araihazar upazila, about 30 km from capital Dhaka. It is ready for formal commissioning next month.

ATM Hayatuzzaman, chairman of HP Chemicals Ltd, said this plant will serve as an excellent import-substitution industry, saving some \$5 million every year for the exchequer.

Hydrogen peroxide has a wide range of industrial use, in particular

for textile bleaching, paper industry, water purification and also medical cleansing.

The factory has been built on a sprawling 10-acre land, employing 250 Bangladeshi people-- mostly mechanical and chemical engineers. There are also some Chinese experts from Hei Long Jiang Chemical Group Ltd, including Luan You, manager of the plant, who joined the new-generation industrial unit for technology transfer.

Talking to the news agency at the plant site yesterday, Hayatuzzaman said, "There is a huge demand for hydrogen peroxide, especially for the country's booming textile sector."

The chairman said encouraged by a positive response from local indus-

tries, his company is now planning to go for a second-phase expansion programme, which is due to start next year. This project will eventually meet more than 40 percent of the domestic demand.

"Initially we didn't want to build a huge plant, as we had to learn the technology first, which is the most important aspect. But now that the first plant is working fine, we will venture into an expansion plant which will be much larger," Hayatuzzaman said about prospect of the new undertaking.

The present plant has a capacity to produce 40 tons of hydrogen peroxide a day. The second plant is expected to add another 60 tons per day.

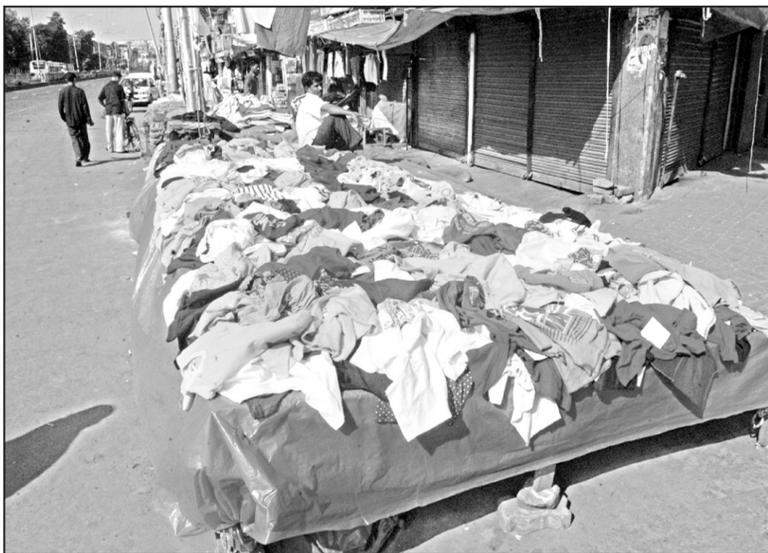


PHOTO: STAR

A hawker waits for customers as he displays garments on the footpath in front of Chandni Chawk market in Dhaka yesterday. After the Eid vacation the vendors again have started selling their products, although the number of customers is insignificant.

# Flu pandemic may cost rich states \$550b: WB

AFP, Geneva

A global flu pandemic could cost rich countries 550 billion dollars (465 billion euros), the World Bank said in a report issued here on Monday at an international conference on bird flu.

The figure is based on a study of the impact of any pandemic on the United States and extrapolated to other wealthy countries.

The 1999 US study calculated that in the United States, a pandemic would lead to between 100,000 and 200,000 deaths, together with 700,000 or more hospitalisations, up to 40 million outpatient visits and 50 million additional illnesses.

For the US economy alone, the costs, both directly from the disease and from lost production, were estimated at between 100 billion and 200

billion dollars.

"If we extrapolate from the US to all high-income countries, there could be a present value loss of 550 billion dollars," said the World Bank report, entitled "Economic Assessment of the Avian Influenza Threat."

"The loss for the world would of course be significantly larger, because of the impact in the developing world."

It said it was difficult to make a similar extrapolation for poor countries, whose health systems are less advanced. "Mortality could be much higher" in these countries, it said.

The three-day Geneva conference gathers 400 experts and decision-makers from around the world.

They are reviewing efforts to

contain the H5N1 strain of avian influenza that has broken out among poultry flocks in Asia and spread into Siberia and parts of southeastern Europe and Turkey, driven by migrating birds.

At present, the H5N1 virus is transmissible from bird to humans, claiming more than 60 deaths since 2003.

But it cannot be easily passed from humans to humans. The fear is that the more the virus spreads, the greater chance it has to mutate, picking up genes that could make it highly contagious from humans to humans.

No-one would have any immunity against the new pathogen, which means a pandemic could swiftly spread in the modern era of jet travel and the globalised economy.

# Oil prices dip to \$60

REUTERS, Tokyo

Oil prices dipped to \$60 Monday as mild weather across the northern hemisphere and recovering US crude production soothed worries over a supply shortfall.

US light crude oil slipped 36 cents to \$60.22 a barrel in Asian trading, deepening Friday's \$1.20 a barrel fall. London's Brent crude fell 13 cents to \$59.12.

Oil prices tumbled to a three-month low of \$58.75 a barrel last week as mild weather and high prices showed signs of dimming demand, but fears of a rebound in consumption helped staunch the retreat. Prices hit a record \$70.85 a barrel in late August.

Temperatures in the US Northeast -- the world's biggest market for heating oil -- are running well above

the seasonal norm and may remain so throughout this week, forecasters say.

In the north of Japan, the world's third-largest oil consumer and a major user of kerosene for home heating, the weather should remain normal or warmer than normal for the next two weeks, government forecasts showed late last week.

Although US gasoline inventories are below par, stocks of crude and heating oil are still above year-ago levels thanks to hefty imports and reduced demand. Japanese kerosene stocks are about 9 per cent higher than the five-year average.

Crude oil production from the hurricane-battered US Gulf has also recovered to its highest level since late August, when Hurricane Katrina thrashed the region. Output rose to nearly half its 1.5 million barrels per day capacity.

Despite improving supplies, traders and analysts are on alert for any signs of a winter chill that could drive up consumption, straining markets still struggling to cope with the loss of fuel output after the most severe hurricane season on record.

Three refineries accounting for just under 5 per cent of US capacity remain closed due to storm damage.

The warmer conditions last week encouraged speculators to bet on a further fall in prices, with the volume of net short crude oil positions held by non-commercial traders on the New York Mercantile Exchange at its highest in two years, according to regulatory data for the week ended Nov. 1.

They boosted net shorts to 42,040 lots on crude oil and to 10,744 on heating oil futures, the most since mid-January.

## Emirates slams Qantas for 'protectionism'

AFP, Sydney

Australian airline Qantas, already under fire from Singapore for protectionism, was accused Monday by Dubai-based rival Emirates of being "one of the world's most anti-competitive airlines".

The comment by Emirates vice chairman and group president Maurice Flanagan came after Qantas objected strongly to Emirates' bid to double its flights to Australia to 84 a week.

Qantas chairwoman Margaret Jackson said the rival airline already had an unfair advantage over the Australian airline because it was government owned and its chairman is a member of Dubai's ruling family and head of the emirate's civil aviation authority.

But Flanagan likened Qantas's stand to its opposition over Singapore Airlines' bid for access to the lucrative trans-Pacific route between Australia and the US.

"Lately Qantas has tried to stop, at all costs, competition on one of the world's most protected routes -- Australia to the US -- and now they want to stop further competition on arguably Australia's most important routes to greater Europe, the Middle East and Africa.

"Their calls for protection belong in another era," he was quoted as saying by Australia's AAP news agency.

## Japan Airlines in the red on high fuel costs

AFP, Tokyo

Japan Airlines said Monday it fell into the red in the first half and forecast a full-year loss as high fuel costs, safety lapses and anti-Japan protests in China took a heavy toll on Asia's top carrier.

The financial troubles of Japan's largest airline contrasted with those of number two carrier All Nippon Airways (ANA), which last week reported record half-year sales and operating profits.

JAL posted a net loss of 12.04 billion yen (102.2 million dollars) for the six months to September of its financial year, compared with a profit of 82.96 billion yen a year earlier.

It was the first time in two years that the airline had reported a loss at the six-month stage. In the first quarter the carrier had made a net loss of 38.38 billion yen.

For the six months, operating profit slumped 82 percent to 15.79 billion yen on sales which rose 3.4 percent to 1.11 trillion yen.

The airline's bottom line was hit by rising fuel prices, which drove operating costs up by almost 11 percent to 1.10 trillion yen. JAL's fuel bill alone soared 32 percent to 181.3 billion yen.

For the full year to March 2006 JAL is now predicting a net loss of 47 billion yen, compared with a profit of 30 billion yen in the previous year.

## Shanghai no 1 in industrial competitiveness in China

ANN/ CHINA DAILY

Shanghai, Tianjin and Guangdong top an updated UN scoresheet on regional industrial competitiveness in China.

The Chinese capital Beijing ranked fourth with its manufacturing ability accounting for around 60 per cent of China's economic hub, Shanghai.

The report on the survey, conducted by the United Nations Industrial Development Organization (UNIDO), was made exclusively available to China Daily.

Shanghai was graded 0.903 in competitive industrial performance (CIP) on an index value ranging from zero to one. Beijing scored 0.585 while Tibet was the worst performer, at 0.056.

"To sum up, the eastern regions dominate the top half of the scoreboard, while central and western regions dominate the bottom half," said Sergio M. Miranda-da-Cruz, till recently the UNIDO Representative for China, Mongolia, the Democratic People's Republic of Korea and the Republic of Korea.

Miranda-da-Cruz assessed 31 provinces, municipalities and autonomous regions on the Chinese mainland by considering indicators such as per capita manufacturing value added (MVA), manufacturing exports and share of medium and high-technology industries in MVA.

# \$42.5m ADB loan for agribusiness project

STAR BUSINESS REPORT

ADB aims to help alleviate rural poverty in Bangladesh through a new US\$42.5 million loan for an agribusiness development project to stimulate commercial activities in the agriculture sector.

To promote agribusiness investment and expansion, the project will provide a \$36 million credit line that will allow about 28,000 small-scale agri-businesses throughout the country's rural areas to access loans, according to an ADB release from Manila.

The small businesses will get loans ranging from \$500 to \$5,000 from reputable and experienced non-government organisations (NGOs) and wholesale banks.

"The project will help expand

current commercial activities in the agriculture sector, from pre-production support to processing and marketing," says Jiangfeng Zhang, an ADB (Asian Development Bank) economist. "This will help generate jobs and economic growth in the rural economy."

Technical and marketing support will be offered to the borrowers to help ensure the successful operation of their agri-businesses. In addition, information dissemination by agri-business associations on income opportunities and technology will be strengthened through awareness raising activities such as publicity drives, trade fairs, and seminars.

To promote efficient credit implementation and management, the project will strengthen the agri-

business lending of participating NGOs and wholesale banks.

The project will also help make entry into agri-business more attractive for entrepreneurs by improving the business climate through policy, legislative and regulatory changes, as well as reorientation training for staff of public sector agencies.

Small-scale agri-businesses, numbering about 2.6 million, dominate Bangladesh's agri-business sector, yet they constitute a "missing middle" market that is under-served by the commercial banking system and the country's micro-finance NGOs.

The Ministry of Agriculture and the Ministry of Finance are the executing agencies for the project, which is due for completion in December 2010.

# SHRIMP INDUSTRY STANDARDS Two members of EU team arrive in Dhaka

STAR BUSINESS REPORT

Two members of a European Union inspection team to look into the prevailing standards of Bangladesh shrimp industry arrived in Dhaka yesterday.

The other two members will arrive on November 10.

According to Bangladesh Frozen Foods Exporters Association (BFFEA), the four-member delegation includes Stefan Honig and Paulo Luciano, who have already arrived, and Rein Harat Reiner and Paul Youn of Food and Veterinary Office of European Commission.

Honig and Luciano will visit laboratories run by the Department of Fisheries (DoF), Bangladesh Atomic Energy Commission (BAEC) and Bangladesh Council for Science and Industrial

Research (BCSIR) today to examine various testing and quality control measures regarding exportable shrimps and fish.

They are also scheduled to meet the government officials, representatives of the EC in Bangladesh and leaders of the BFFEA to discuss the EC directives followed by the shrimp sector of the country.

After the arrival of two other members, the delegation will inspect some factory premises and look into the quality control system and all types of infrastructure facilities existing in the shrimp industry.

During the 10-day visit, the team will visit some EU approved shrimp processing plants, shrimp farming areas, depots, landing centres, and other establishments in different areas of Chittagong and Khulna.

According to BFFEA, out of 130 shrimp processing plants, 58 are approved by the EC to export shrimp and fish to the EU countries. Around 45 percent of the country's frozen foods are being exported to the EU markets.

Presently, the frozen foods sector contributes 4.86 percent to Bangladesh's total export earning. In fiscal year 2004-05, the country fetched US\$ 421 million in export earnings from the sector posting a 7.81 percent growth compared to the previous fiscal's earning of US\$ 390 million.

In the current fiscal, Bangladesh has a target of exporting frozen foods worth US\$ 450 million.

# China to gradually push forward yuan reform

AFP, Beijing

China's central bank reiterated Monday it will gradually push forward reform of its managed float currency regime while keeping its exchange rate at a "reasonable and balanced level".

"We will gradually push forward reform of the exchange rate mechanism, establish a market-oriented, managed floating exchange rate system and maintain the basic stability of the yuan at a reasonable and balanced level," the central bank said on its website.

The People's Bank of China stressed that a "stable currency value would help to maintain financial

stability".

"China's active exchange rate reform, sound international balance of payments, ample foreign exchange reserves and gradual opening of the capital account have provided a good external environment for China's financial stability," the bank said.

China's major trade partners, especially the United States, have been pressuring Beijing to allow more flexibility into the regime following the scrapping of a peg to the US dollar and a 2.1 percent revaluation on July 21.

The yuan closed Monday at 8.0877 yuan to the dollar, compared with the initial revaluation rate of 8.11.

The bank also said it would continue to carefully watch changes in the global economy, "including the negative impact on the global financial stability from US interest rate hikes, surging oil prices and trade frictions."

Further liberalisation of China's interest rate regime and speeding up the reform of financial institutions were also on the table, it said.

To maintain stability the economy needs to be rebalanced, away from investment and exports, it said, adding that lessening local governments' debt burdens and reliance on the banking system for credit were also crucial.

# Battle for business class passengers hots up in S'pore

ANN/ THE STRAITS TIMES

Retail consultant Elias Bahbah will fly for the first time on business class on Friday, to holiday in Paris with his daughter, 21.

Bahbah, 45, an Australian who lives in Singapore, is splurging about \$57,000 (US\$4,113) for the two return tickets on Qatar Airways.

The fare is about 34 percent lower than a similar seat on say, Emirates. The unusually low price for business class travellers is part of Qatar Airways' latest marketing strategy to woo newcomers to become regular passengers on its flights.

Two other airlines are also hoping to achieve the same results with steep discounts on business and first class seats. They are British Airways (BA) and Gulf Air.

Qatar Airways slashed its business class fares by 10 to 15 per cent to places in Europe, the Middle East and Africa but tickets must be booked by Nov 25 and passengers must travel by March 31.

Its offers, advertised in The Straits Times two weeks ago, immediately caught the eye of Bahbah, who goes to Australia regularly on business.

He said: "I like to be comfortable on long trips, but it's expensive to fly business class when there is no discount. Now I can be comfortable and it won't burn a hole in my pocket."

The BA and Gulf Air offers are made separately by MasterCard.

Both are selling two first or business class tickets to specified cities in Europe and Australia for the price of one.

Said BA's regional marketing manager Rob McDonald: "When seats are available in the premium cabins, we would open them up for people to try our services. We hope they would be so impressed they would make us their preferred airline in future, whether they are flying first, business or economy class."

But BA travellers have to book their tickets by Nov 15 and travel out of Singapore by Feb 28 next year, while Gulf Air's sale and travel period is before July 14.

With these discounts, two business class seats to Dubai on Gulf Air now go for \$53,970 (US\$2,332). This amount pays for only one business class seat on Singapore Airlines (SIA), at \$53,900 (US\$2,291) on its website, or barely

one on Emirates, quoted at \$53,990 (US\$2,344) on its website.

Two first class seats to Melbourne on BA cost \$56,680 (US\$3,925). On SIA, one seat alone goes for \$57,100 (US\$4,171), and on Australian national carrier Qantas, \$55,678 (US\$3,336).

But analysts like Vincent Ng say the comparison is inappropriate.

Said the associate director of Standard and Poor's Equity Research: "SIA and Qantas are very established carriers, but Qatar Airways and Gulf Air are quite new, so this is a textbook strategy for them to penetrate the market."

SIA and Emirates said they are confident their customers will stay with them because of their premium branding and services.

Said an SIA spokesman: "There is a high awareness of the premium service standards which accompany SIA's first and Raffles (business) class cabins."

Industry watchers find the offers unusual, as first and business class special fares are usually targeted directly at regular clients, instead of the masses, said Ng.