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INVESTMENT SCENARIO-III

FDI down on slow decisions, political worries

JASIM UDDIN KHAN

Foreign direct investment (FDI) declined by 27 percent during last 11 months of the fiscal year (FY07) compared to a year earlier due to political instability and the failure to reach decisions on large-scale investments.

According to the Bangladesh Bank, in the 11 months to May, \$495 million FDI flowed into the country against \$ 675 million in the same period in FY06, and was well below the record year FY05 when it reached \$846 million.

Poor infrastructure, bureaucratic complexities and confrontational politics are the main hindrances to foreign direct investment (FDI) in Bangladesh, the Asian Development Bank (ADB) said in a research paper released

recently. The lack of urgency in dealing with investment proposals also undermined the country's chances, according to the Bangladesh Institute of Development Studies (BIDS).

"The government failed to negotiate with prospective foreign investors," Dr Zaid Bakht, BIDS research director, told The Daily Star.

Bakht referred to power projects, many of which were attractive to foreign investors. However the government had failed to conclude the necessary negotiations.

"Negotiations with prospective foreign investors have been delayed mainly due to the vested groups' ill motives; to their desire to make huge amounts of money from the deals. That is why there has not been

any investment," he said.

Dr Debapriya Bhattacharya, Executive Director, Centre for Policy Dialogue, said the country had experienced serious political turmoil during the past 11 months and this was the main reason behind the negative growth of FDI.

Since October 2006 the country had experienced three different governments leading to a discontinuity in dealing with investment proposals. Moreover, foreign investors have been reluctant to push projects due to a fear that decisions may be reversed.

Khondaker Golam Moazzem, research fellow of the CPD, said no big foreign investment had taken place in Bangladesh since 2001.

"FDI increased in FY05 as service sector foreign investors reinvested their earnings, but such

reinvestment declined in the last fiscal year resulting in an increase in profit repatriation," he explained.

Moazzem referred to the negotiation process with the Indian industrial giant Tata and said the government's approach had sent a negative signal to other prospective foreign investors.

Bangladesh Bank data shows that investors repatriated \$175m in profit in 2001, while figure was \$195m in 2002, \$355m in 2003, \$338m in 2004 and \$418m in 2005.

According to the Board of Investment (BOI), investment in telecommunications sector accounted for 36 percent of the total FDI, textiles 18 percent, chemical industries 7 percent, oil companies 18 percent, banks 10 percent and power companies 2 percent.

DSE indices up on hope for better days

UNB, Dhaka

Share indices at the Dhaka Stock Exchange closed higher today (Sunday) with the gainers outnumbering the losers during the day's trading that began late due to technical reasons.

The day's trading started at 12 noon after correcting the technical fault and continued up to 3 pm.

The DSE General Index (DGEN) increased about 42 points or 1.79 percent to close at 2377.68 points today while the All Share Price Index (DSI) rose 42 points or over 2 percent to close at 1982 points.

The DSE-20 index of selective shares was also 25 points or 1.29 percent up to close at 1939 points.

Of some 185 issues traded, 128 gained, 43 incurred loss and 14 remained unchanged. The total turnover stood at Tk 116 crore.

Market operators said the market went up belying the country situation on expectation that the unrest would be mitigated further in the days ahead. "The investors might have ignored the country situation to act in the market," said one of them.

Another perception is that investors' participation in the stock market is higher than other sectors as they might have felt investment is safe in the capital market in the present day situation of the country.

The indices fell sharply on the previous two trading days last week -- Tuesday and Wednesday -- following the unrest at Dhaka University that led to the imposition of curfew in capital Dhaka and five other divisional cities.

The DSE remained closed on Thursday due to the curfew.

Asean to complete FTA by 2013

AFP, Manila

The Association of Southeast Asian Nations (Asean) will complete its free trade agreements with China, Japan, South Korea, India, Australia and New Zealand by 2013, an official said Sunday.

The announcement came after Asean economic ministers met with their counterparts from the six "dialogue partners" in Manila at the last day of a three-day economic conference.

Asean Secretary-General Ong Keng Yong said a free trade agreement (FTA) with South Korea could be completed by 2008, China by 2010, India by 2011, Japan by 2012 and Australia and New Zealand "before 2012... although hopefully we can do it by 2009."

He put 2013 as the expected time for the completion of all the FTAs but acknowledged that "loose ends" involving issues such as trade in goods and services in South Korea remained.

"Essentially by 2013, all the free trade area agreements between Asean and the rest of our major trading partners should be completed and the FTAs should be in place," he said.

"This will tie in with our leaders' decision to have the Asean community established by 2015," he added.

Asean and Japan are expected to sign in November an agreement abolishing tariffs on 90 percent of Asean imports to Japan, but officials at the meeting said the gradual abolition of all tariffs with some Asean countries would take over a decade.

Ong said Asean was not closing the door to further FTAs with other countries or groupings but stressed such trade talks were a "heavy burden" on government negotiators who were already busy on pending FTAs.

Bank Asia starts off-shore banking at Ctg EPZ

Bank Asia has recently started off-shore banking at the Chittagong Export Processing Zone (CEPZ) as it was granted an off-shore banking unit license to do the job, says a press release.

Companies under A and B categories at the CEPZ can now obtain banking facilities through Bank Asia's worldwide correspondent banking agreements. Iriteza Reza Chowdhury, senior executive vice president of Bank Asia Ltd, handed over a copy of the 'Off-shore Banking Unit License' to Ataul Huq, general manager of Chittagong Export Processing Zone recently. Senior officials of the bank were also present.

Govt support sought to export farm machinery from Bogra

HASIBUR RAHMAN BHUI from Bogra

Bangladesh is missing out on a huge potential market in farm machinery due to the government's failure to support exports of domestically made equipment.

According to Sarker Badal, president of the Bogra district unit of Bangladesh Agricultural Machinery Merchants Association, a few engineering industries that spearheaded the manufacture of agricultural machinery in the district in the 1970s are now meeting 95 per cent of local demand.

This has meant that the import of farm machinery parts from China, Korea and Japan has been reduced.

For example a cylinder that previously cost Tk 1000 to import is now being sold at Tk 250 in Bogra, said Sarker, adding that in the 1980s the Milner's company sold a 4-inch width pump at Tk 5000. Now

a locally produced pump of better quality is available at Tk 1600.

Bangladesh could earn foreign currency worth over Tk 50 crore every year if the government were to provide assistance for exporting the agricultural machinery to India legally, Sarker said.

Abdul Matin, proprietor of Rony Engineering Workshop, echoed this view. Farm machinery such as tubewells, cylinders, and pistons that are manufactured in as many as 230 light engineering industries in the district are now smuggled out to India through Jessore, Hill and other bordering areas, he said.

The smuggled cylinder sells at Tk 400 in India, while the item similar in quality is sold at Tk 250 in Bogra.

According to the industry insiders, the size of business of farm machinery in the district is Tk 350 crore per annum. They sought government support to add further impetus to flourishing industry.

GP CEO set to leave Oct 1



Erik Aas
STAR BUSINESS REPORT

Grameenphone's Chief Executive Officer (CEO) Erik Aas who led the cell company's phenomenal growth for the last three years is set to leave the company on October 1.

The Grameenphone (GP) Board will appoint a new CEO in due time, says a press release.

Prior to the expiry of his three-year contract as the CEO, Aas informed the GP Board of directors that he will not extend his contract beyond this term.

Aas will join a new telecom company in Indonesia. "It's a smaller company outside the Telenor group (that holds majority shares of GP)," says Aas, "I have to consider my own career and new management challenges."

Aas joined GP in October 2004. During his tenure, the customer base of GP has increased from 2 to 14 million, with GP's network coverage increasing from 55 per cent of the population to 98 per cent today.

"There is still a lot of growth to come in Bangladesh, and Grameenphone is well positioned in the market," he said.

Regarding GP's plan to invest more than Tk 2100 crore this year to improve its service quality and increase its network capacity, Erik noted that the company was investing as per the plan.

Arve Johansen, Chairman of the Board of Directors of Grameenphone said: "Erik Aas leaves the company in a very good shape."

Asean, China to boost product safety

AP, Manila

Southeast Asian countries and China agreed to strengthen product standards and safety, economic ministers said Sunday. The move follows recalls of several tainted Chinese products from international markets.

Chinese Commerce Minister Bo Xilai also defended the quality of Chinese goods, saying 99 percent of his country's exports to the U.S. and Japan pass quality controls and adhere to global quality standards.

A joint statement issued by economic ministers from the 10-member Association of Southeast Asian Nations and China on Sunday, at the end of their annual consultations, said product quality and food safety are common challenges faced by every country. All parties should actively cooperate in improving risk control and ensuring quality, it added.

BB profits up 83pc in FY '07

STAR BUSINESS REPORT

Bangladesh Bank reported record results in the fiscal year 2006-07, with profits up 83 per cent on a year earlier largely due to the investment of the central bank's foreign currency reserves.

According to Bangladesh Bank sources, the net profit reached Tk 4200 crore during 2006-07, which is almost double the amount recorded a year earlier. The net profit of the central bank was Tk 2290 crore in the fiscal 2005-06.

Bangladesh Bank Governor Salehuddin Ahmed yesterday signed the Balance Sheet 2006-07. The statement will be placed before the bank's board tomorrow.

Sources said the foreign currency reserve was over \$5 billion during the fiscal 2006-07 and by investing it the bank was able to reap profit.

The central bank already informed the finance ministry about its huge net income. The bank will have to pay Tk 2200 crore to the government exchequer.

The benefit from the central bank will help the government to pay its bank borrowing which was Tk 1,376 crore till August 1. The government will enjoy some days without having any bank borrowing.

Bangladesh Bank is the one of the major entities of the government that is able to provide huge sums to the government exchequer every year. However the bank's officials demand for a separate pay scale to reflect this is yet to be implemented by the government, said an official of the bank.

The central bank sent the proposal of separate pay scale to the present government.

Pak date show from Sept 2

BSS, Dhaka

Pakistan High Commission here will organise the 4th Pakistan Date Show 2007 at Dhaka Sheraton Hotel on September 2 and 3 in collaboration with the Trade Development Authority of Pakistan.

According to a Pak High Commission press release yesterday, 10 to 12 date exporters and growers will exhibit fresh and dry dates as well as date products from Pakistan during the two-day show.

A large number of Bangladeshi fruit importers, dealers, wholesalers, distributors, retailers and consumers are expected to visit the show, the release added.

Wheat prices hit record high

AP, London

What prices hit last week an all-time high in Chicago on fierce global demand and flagging output.

The price of wheat in Chicago surged to an all-time closing high of 7225 dollars a bushel on Thursday, beating the previous record finish that was set in 1996.

Wheat prices are rocketing to historic heights due to a "smaller (global) wheat crop" while demand is still growing," said Allende analyst Joe Victor.



Anti-Corruption Commission (ACC) Chairman Lt Gen (ret) Hasan Mashhud Chowdhury speaks at the monthly luncheon meeting of Foreign Investors' Chamber of Commerce and Industry (Ficci) held in Dhaka yesterday. Ficci President Masih U Karim (2-R), Secretary M A Matin (R) and Vice-President Carlo Cifello are also seen. (Story on page 16)

US employers face difficulty in finding workers

AP, Miami

The owner of a fast food joint in Montana's booming oil patch found himself outsourcing the drive-thru window to a Texas telemarketing firm, not because it's cheaper but because he can't find workers.

Record low unemployment across parts of the West has created tough working conditions for business owners, who in places are being forced to boost wages or be creative to fill their jobs.

John Francis, who owns the McDonald's in Sidney, Mont., said he tried advertising in the local newspaper and even offered up to \$10 an hour to compete with higher-paying oil field jobs. Yet the only calls were from other business owners upset they would have to raise wages, too. Of course, Francis' current employees also wanted a pay hike.

"I don't know what the answer is," Francis said. "There's just nobody around that wants to work."

Unemployment rates have been as low as 2 percent this year in places like Montana, and nearly as low in neighboring states. Economists cite such factors as an aging work force and booming tourism economies for the tight labor market.

For places like Montana, it has been a steady climb in the nearly two decades since the timber and mining industry recession. The state approached double-digit unemployment levels in the 1980s and began the slow crawl back in the early 1990s.

"This is actually the biggest economic story of our time, and we don't quite grasp it because it is 15 years in the making," said economist Larry Swanson, director of the O'Connor Center for the Rocky Mountain West at the University of Montana.

The U.S. Department of Labor reports the mountain West region covering eight states along the Rocky Mountains has the lowest overall unemployment rate in the nation. The region hit an all-time low of 3.4 percent in May.

The effects are everywhere. Logging equipment in Idaho sits idle as companies have a tough time finding workers. A shortage of lifeguards has forced Helena to shorten hours at children-only pools. A local paper in Jackson, Wyo., has page after page of help wanted ads.

In Jackson Hole, the Four Seasons Resort still had openings in late July. The problem has created longer hours and tougher working conditions for current employees.

For years, the resort has imported dozens of workers from Eastern Europe who often come as much for the summer recreation opportunity as the money. This year, however, that wasn't enough and so for the first time the resort also sent recruiters to a high school job fair, said spokeswoman Greer Terry. It only helped a little.

"It's been a struggle finding employees this summer," Terry said. Economists say there are a number of reasons why parts of the West are feeling the labor pinch. Established baby boomers,

including retirees, have been moving into Montana for the mountain views and recreation, bringing with them money for new homes that fuel construction job growth, said Swanson.

Along the way, younger people have moved away searching for bigger paychecks as the state's wages still lag behind other areas and are slowly increasing overall. Now, the aging work force is unable to expand to meet the demands of the job market, Swanson said.

He said the problem is compounded by the fact that employers, accustomed to paying relatively low wages, have been slow to increase salaries. Montana wages have historically been among the lowest in the country, and still rank near the bottom. The silver lining for workers is that wages are now growing at the third-fastest rate among U.S. states.

Now, workers with more options in some places are unwilling to take \$12-an-hour jobs. The problem could get worse as more baby boomers retire, Swanson said. By 2030, Montana and Wyoming are predicted to have among the oldest populations in the U.S., with about 26 percent of residents 65 and older, Swanson said. That compares to 19.7 percent predicted nationally.

"We thought the labor force crunch wouldn't come until 2012, but it's already arrived in a lot of these fast-growth areas," Swanson said. As a result, "you'll find older workers working longer, people will sort of linger in the work force. The employers will make it worth their time to."



Iriteza Reza Chowdhury, senior executive vice president of Bank Asia Ltd, hands over a copy of the Off-shore Banking Unit License to Ataul Huq, general manager of Chittagong Export Processing Zone. Senior officials of the bank were present.



Dutch-Bangla Bank Ltd Managing Director Md Yeasin Ali inaugurates the 41st branch of the bank at 32/30 Bandi Shahi Market at Chawkbazar in Comilla yesterday.



Chittagong Port Authority Chairman Captain Yeahia Sayeed inaugurates the 3rd One Bank booth on DTM (Ops) office premises at the Chittagong Port recently. One Bank Managing Director Farman R Chowdhury is also seen among other senior officials.

Tata fears Indo-US nuke deal failure to hit FDI to India

PTI, New Delhi

Tata Sons Chairman Ratan Tata has said any failure of the Indo-US nuclear deal would be a "serious setback" for India and could impact inflow of foreign direct investments (FDIs) to the country.

In an interview with Karan Thapar for Devil's Advocate programme on television channel CNN-IBN, Tata said the civil nuclear deal with the US was in many ways the best possible thing that had happened to India in a long time.

Asked would it be a setback if the deal didn't materialise, he said: "I believe it is a serious setback to India. I believe the only people happy to see this not happening are probably Pakistan and China. Apprehending implications on FDI inflows if the deal were to fail, Tata said: "I think it could be because I think there would be repercussions and there would be reactions."

The industry doyen felt a need for the present political system to change and take a re-look at ideologies.

On a question if the Left needed to reinvent itself, he declined a direct reply but said: "We all need to reinvent ourselves. Even the Vatican reinvents itself."

وَأَنَّ اللَّهَ الرَّحِيمُ

We announce with a heavy heart that **Syed Nahoum Ali** has passed in his sleep in the early hours of Friday, 25 August, 2007.

Guttu, as he was affectionately called, was a chronic asthmatic. He succumbed to a massive heart attack induced by a serious asthma episode.

Nahoum's Qulkhani will be held at his home on Tuesday, 28 August 2007. Another Qulkhani will be held Baad-Johr at the Komorpur Muslim Mission, Faridpur, on Thursday, 30 August 2007. You are requested to come and pray for the salvation of his soul.

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| Dhaka Date: Tuesday, 28 August 2007 Time: Baad-Maghrib Place: 44 Park Road, Baridhara, Dhaka | Faridpur Date: Thursday, 30 August 2007 Time: Baad-Johr Place: Komorpur Muslim Mission, Faridpur |
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Syed Fazle Ali & Aenia Chowdhury