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# Star BUSINESS

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## India's Jet Airways starts operations in Bangladesh today



Now India's premier airline is in Dhaka.

Saroj K Datta (2-R), executive director of Jet Airways, speaks at a press conference in Dhaka yesterday to announce the launch of Jet Airways in Bangladesh. Sudhakar Rao (2-L), senior general manager sales (East India) of Jet Airways, A. Azad (R), managing director of Maas Travels and Tours, local GSA of the airline, and Azizur Rahman, chairman of Maas Travels and Tours, are also seen.

### STAR BUSINESS REPORT

India's private airline Jet Airways enters Bangladesh sky today to operate flights on Dhaka-Kolkata and Dhaka-Delhi routes, a move industry experts believe will intensify competition in the market.

Jet Airways will be the second Indian airline after Air India operating in Bangladesh. Bangladesh's national flag carrier Biman Bangladesh Airlines Ltd and private GMG Airlines are also operating flights to India.

Bangladesh's airline market, which industry experts said is growing by 8 percent a year, has experienced the entry of a large number of local and international

flight operators this year.

At least four international carriers - Air Arabia, RAK Airways, Air Slovakia and Air Asia X - and two local airlines - United Airways and Anmol Alibab Airlines - launched operations in Bangladesh during the past 12 months.

"There has been a surge in business, healthcare and leisure travel between Bangladesh and India," Saroj K Datta, executive director of Jet Airways, told a press conference in Dhaka yesterday.

Jet Airways said it operates a fleet of 75 aircraft to connect 54 destinations within India and beyond including Nepal, Sri Lanka, Singapore, Malaysia, United Kingdom, Thailand, Belgium, the US and Canada.

## EU leaders see sustained growth

REUTERS, Brussels

AP, Shanghai

The European Union economy will continue to grow despite recent market turbulence because its fundamentals are strong, EU leaders said Friday, but they stressed the need for reforms to help the bloc compete globally.

EU leaders also said that because of the ongoing credit crunch it was crucial to keep monitoring markets, improve supervision and transparency for investors, markets and regulators, and review the role of credit rating agencies.

"Consistent macroeconomic policies and stable financial markets are vital for sustained economic growth," the leaders said in a declaration after a quarterly summit.

The European Council, in view of the recent developments in the financial markets, emphasises that macroeconomic fundamentals in the EU are strong and that sustained economic growth is expected," they said. The global liquidity crunch in financial markets, triggered by the subprime mortgage market crisis in the United States, is one of the main reasons behind an expected slowdown in EU economic growth to 2.4 percent next year and in 2009 from 2.9 percent forecast by the European Commission for this year.

The leaders said that to make the EU economy more resilient to external shocks and help it tackle the challenges and seize the opportunities presented by global markets, EU members should continue to reform their economies.

"One of the reasons that justifies the European Union and makes the EU indispensable and more necessary than ever is precisely globalisation," European Commission President Jose Manuel Barroso told a news conference.

"It is quite evident that even the biggest member states alone cannot respond to all global challenges we have," he said.

EU leaders said the so-called Lisbon Strategy of reforms, named after the Portuguese capital where it was initially agreed on in 2000, was working well and member states should continue to implement it.

The airline will charge US\$ 420 for two-way Dhaka-Delhi (economy class) ticket and US\$ 113 for two-way Dhaka-Kolkata (economy class) ticket.

"We will also provide suitable connections for passengers travelling to and from London," Datta added.

Datta said the airline, which carries passengers from Sylhet to London, will provide transport services by bus for the passengers from Sylhet to Dhaka.

The airline said it operates a fleet of 75 aircraft to connect 54 destinations within India and beyond including Nepal, Sri Lanka, Singapore, Malaysia, United Kingdom, Thailand, Belgium, the US and Canada.

## US firms say China costs rising

AP, Shanghai

China may be losing its competitive advantage, mainly because of rising costs, according to a survey of companies compiled by the American Chamber of Commerce in Shanghai.

"We don't foresee a huge impact here," he said.

The report also said that the recent spate of product recalls of products ranging from tires to toothpaste due to safety and quality concerns is prompting US businesses to become much more vigilant over how their products are made.

Rampant product piracy was another persistent problem highlighted in a report released Friday that was based on a survey of the group's 1,600 corporate members.

"Some companies mentioned plans to move offshore to India or Vietnam," said Norwell Coquillard, president of Cargill Investments China, an investment holding company of agribusiness giant Cargill Inc.

Still, he noted that most companies with operations in China were still planning to expand capacity on the Chinese mainland, often while moving factories and offices inland to smaller cities where costs are lower.

For many U.S. and other foreign companies, finding paying for and retaining good employees remains the biggest challenge, the report said.

"More investment has come in and stretched the supply of talent," said Stephanie Liu, human resources director in the Asia Pacific for Armstrong World Industries, a maker of flooring and building products. "There's no sign of easing in the short term," she said.

Meanwhile, a new labor law, due to take effect next year, has increased uncertainties over hiring and firing practices.

The Labor Contract Law, which takes effect Jan. 1, gives employees who have worked at a company for more than 10 years the right to sign contracts protecting them from being fired without a legitimate reason.

Some companies worry that the law might restore the "iron rice bowl" of lifetime employment practiced by China's state sector during the era of central planning that followed the 1949 communist revolution, said Kent Kedi, general manager of the consulting firm TechnomicAsia.

But Kedi said most U.S. companies had little to fear because their employment policies were general in line with international standards, unlike those of smaller local

## India opens up bourses to FDI

OUR CORRESPONDENT, New Delhi

India has opened up its stock exchanges to foreign direct and portfolio investment, a decision that had been hanging fire since long.

The Reserve Bank of India (RBI) and the Securities and Exchange Board of India (Sebi) on Friday issued separate notifications allowing up to 49 percent foreign investment in stock exchanges, depositories and clearing corporations.

Under the new rules, FDI will be limited at 26 percent while foreign portfolio investment would be capped at 23 percent, the RBI said in its statement. However, no foreign investor will be allowed to hold more than five percent of the equity in the stock exchanges, it added.

Portfolio investments will be permitted only through purchases in the secondary market and all investments must have the approval of Foreign Investment Promotion Board.

While foreign institutional investments will be allowed only through purchases in secondary market they will not be permitted to hold representation on the board of directors of such companies.

India's decision comes against the backdrop of reports that the New York Stock Exchange, London Stock Exchanges and Nasdaq are among the foreign bourses and funds which are keen to pick up stakes in Bombay Stock Exchange (BSE).

In fact, Nasdaq officials met BSE officials in August this year, fuelling speculation that the tech exchange would acquire stake in it.

The RBI move is expected to revive some of Indian regional stock exchanges which are not doing as good business as the Bombay Stock Exchange.

## 30pc more US funding to WB poverty fight

AFP, Washington

The United States boosted its pledged contribution to the World Bank arm that aids the world's poorest countries by 30 percent, to \$7.3 billion dollars, the US Treasury said Friday.

The pledge of \$7.3 billion dollars to the International Development Association for 2008 to 2011 is the largest three-year increase since the administration of then-president Jimmy Carter in 1977-1981, Treasury Secretary Henry Paulson said.

"Today's announcement demonstrates the United States's strong commitment to the poorest countries in the world and to IDA," Paulson said.

"I look forward to working with Congress to fund these commitments," he added.

The IDA, which provides interest-free loans and grants to 81 of the world's poorest countries, announced Friday that it would have a record \$41.6 billion dollars in its coffers to help overcome poverty in the poorest countries, many of them in Africa.

Problems with piracy of technology and products remained more or less unchanged from earlier surveys. Such problems are a perennial headache for both domestic and foreign companies operating in China. U.S. businesses say they lose billions of dollars each year due to the lack of effective enforcement of copyrights, patents and trademarks.

Despite the difficulties of doing business in China's unpredictable, fast changing markets, most companies said they were profitable in 2007 and that their profitability improved.

"Business performance and financial results show many firms are realizing the market potential that China has long promised U.S. companies," the report said.

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But Kedi said most U.S. companies had little to fear because their employment policies were general in line with international standards, unlike those of smaller local

## Bank Asia launches Western Union service

Bank Asia Limited has launched Western Union service at all its branches throughout Bangladesh.

Under the arrangement, non-resident Bangladeshis (NRBs) staying in more than 200 countries can send their money to Bangladesh and their beneficiaries can receive the money instantly from all branches/counters of Bank Asia and more than 100 rural and semi-urban branches of BURU Bangladesh.

The launching ceremony was held at a city hotel recently with the bank's President and Managing Director Syed Anisul Huq as chief guest, says a press release.

BURU Bangladesh, a leading NGO, also joined Bank Asia to distribute the wage earners money from their branches.

Zakir Hossain, executive director of BURU Bangladesh, was also present on the occasion.

The measure must now be reconciled with its House of Representatives version before it is presented to President George W. Bush.

## Star BUSINESS

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Chief Adviser Fakhruddin Ahmed presides over the first meeting of Bangladesh Better Business Forum at his office in Dhaka yesterday. The forum in its first meeting decided to form working committees on six areas to recommend measures for improving the country's business environment and help the economy grow.

## Govt moves for gas exploration in the north

UNB, Dhaka

He said the recent survey of the Bangladesh Bureau of Statistics (BBS) has also proved the existing discrepancy in development.

He mentioned that from now on in every project profile it has to be highlighted how that project would influence regional disparity in development.

He said that this move is part of the caretaker government's effort to remove regional disparity.

"Other potentials lying in the northern region will be identified," he said while addressing as chief guest a seminar on 'Greater Rangpur and Development of Northern Region: Energy Perspective' at Bangladesh-China Friendship Conference Centre in the city.

Business chambers of Rangpur, Gaibandha, Nilphamari, Lalmonirhat, Kurigram and Greater Rangpur Welfare Association jointly organised the daylong brainstorming over the woes and unexplored potential of the northerners.

Power and Energy Adviser Tapan Chowdhury also spoke at the function, presided over by President of Greater Rangpur Welfare Association and former Bok executive chairman Nazrul Islam.

The finance adviser said the present government is very cautious about the regional disparities.

He said power shortage has been a main obstacle to development. "Power generation depends on gas and petroleum, that's why the government is taking move to explore gas and coal."

Tapan Chowdhury said the government is not preparing the coal policy keeping in mind any particular company's investment.

"It will be a general policy on which basis the country's coal sector will be developed," he said.

He noted that the state-owned BAPEX has appealed for funds to conduct gas-exploration works in the northern region.

## Banks need technically skilled human resources

BB governor tells ICMAB workshop

### STAR BUSINESS REPORT

The central bank governor has suggested that banks should employ the human resources who have technical know-how so that they can adapt with complex business transactions.

"Application of highly sophisticated information technology and complex business transactions like securitisation, derivatives and various swaps is creating substantial risk for the banking institutions," Bangladesh Bank (BB) Governor Dr Salehuddin Ahmed told the inauguration of a workshop in Dhaka yesterday.

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) organised the workshop on 'Emerging Changes in the Financial Sector of Bangladesh' at its auditorium.

The BB governor pointed to the fact that under the current context risk in banking has increased significantly due to a change in the status of the banks from deposit collector and investors to a large service provider.

"In order to address those and similar innovative transactions, the banking community needs the services of technically skilled human resources," Salehuddin said.

He believed that cost and management accountants are the right professionals to handle the complex business transactions com-

fortably.

He said implementation of Basel II is a challenging issue for banking sector of Bangladesh as in many other developing countries. "Compliance of Basel Core Principles requires providing a solid foundation for the eventual implementation of the new accord," he said.

Basel II is an effort by international banking supervisors to improve the consistency of capital regulations internationally besides making regulatory capital more risk-sensitive and promoting enhanced risk-management practices among banks.

Referring to the central bank's self-assessment of the extent of compliance of Basel Core Principles, the governor said the findings show that it is now a largely compliant of Basel principles.

Since the new accord requires substantial prior risk management practices in the banking sector, the BB has issued five separate guidelines on five core risk areas that provide basic information for smooth implementation of the new accord.

The risk areas include credit risk, asset and liability/balance sheet risk, foreign exchange risk, internal control and compliance risk and money laundering risk.

## News analysis

## Indian commercial vehicle making set to perk up

PALLAB BHATTACHARYA, New Delhi

The Indian commercial vehicle manufacturing segment is set to perk up with two major joint ventures involving two leading domestic companies and as many multinational auto giants being announced in four days.

First came the high-profile tie-up between Indian vehicle manufacturer Eicher and Swedish truck major Volvo and then came the alliance between the Hero Group of India and Germany-based Daimler Trucks. Daimler Ag, based in Stuttgart, is the world's biggest commercial vehicle manufacturer.

Volvo and Eicher signed a letter of intent for a joint venture with an enterprise value of \$600 million dollars under which the Indian company will transfer its commercial vehicles, components and engineering design services business to the new set-up.

On the other hand, Volvo will invest \$350 million dollars for a 45.6 percent stake in the joint venture, while Eicher will hold the rest.

The Indian commercial vehicle market is currently estimated at Rs 30,000 crore and is expected to grow fast in the coming years with the infrastructure, particularly roads and highways, looking up in a big way.

The Indian commercial vehicle market is at present dominated by domestic companies Tata Motors and Ashok Leyland, but Indian companies are increasingly looking for foreign partners for new technology with strict emission norms.

Both Volvo and Daimler are making rapid progress in the demand for commercial buses in India in the coming years. A number of foreign multinationals have recently signed joint venture agreements with Indian manufacturers for light, medium and heavy duty vehicles.

For Eicher, the tie up with Volvo will bring world class technology and help it export its commercial vehicles in the emerging markets of Asia, Latin America and Africa and the Middle East under separate brands. Both

Chennai-based Ashok Leyland tied up with Japanese auto giant Nissan for light commercial vehicles and earlier this year, Mahindra and Mahindra of India, which makes utility vehicles and tractors, entered into a joint venture (JV) with US-based International Engine and Truck Corporation for manufacturing heavy trucks and truck-maker MAN and Pune-based player Force Motors also signed a JV pact to make a range of heavy and light commercial products.

For Volvo, which already has its bus manufacturing business in India in partnership with the Indian company Jaico, the tie-up with Daimler means product diversification in auto industry and an exposure to world class technology and products and access to export markets, said Hero Corporate Service Limited Chairman Sunil Kant Munjal.