sense and simplicity LCD HDTV 52PFL7432

DHAKA MONDAY SEPTEMBER 22, 2008

Stocks

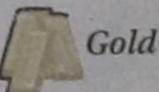
CSCX A 0.26% 5,670.27

Currencies

EUR 97.04 101.64 128.00

Commodities

SOURCE STANDARD CHARTERED

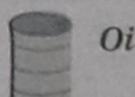


(per ounce)

\$869.00

\$101.33

(per barrel)



(As of Friday)

More News

Food price hike forces many dropouts to work

Food price hike has led to an increase in school dropouts and in many cases forced these dropouts to earn money, revealed a research vesterday.

DSE turnover rises to record high

Turnover on Dhaka Stock Exchange crossed Tk 400 crore level yesterday in two months on investors' growing confidence following the announcement of national election date. The total turnover on the DSE was Tk 433.74 crore yesterday that hit Tk 406 crore on July 21 this year. Market insiders said investors now feel encouraged to trade, as the national polls date has eroded uncertainty in the country's political arena.

International

US crisis may delay capital market reforms in Asia



The American financial crisis is expected to delay capital market reforms in China and other developing Asian economies stunned by the colossal damage unleashed by complex financial contracts on the United States, experts say. Flush with cash reserves, many developing Asian nations have been prodded by Western financial institutions to deepen their capital markets by introducing sophisticated financial derivatives to hedge against various risks.

Malaysia to discuss re-pegging of ringgit

Malaysia's finance minister will decide after a briefing on Monday if the ringgit will be re-pegged, to reduce the impact of the weakening US dollar on the currency, a top minister said Sunday.

Contact Us

If you have views on Star Business or news about business in Bangladesh. please email us at business@thedailystar.net

BB pulls out of risky foreign ventures



The unofficial 'National Debt Clock' advertises the debt of the United States in midtown in New York City. Morgan Stanley and Wachovia Corp are reportedly discussing a possible merger following the collapse of Lehman Brothers Holdings. Bangladesh Bank has investment in Wachovia and a few mortgage companies in the US, but not in any problem-ridden company like Lehman Brothers.

REJAUL KARIM BYRON and SAJJADUR RAHMAN

Bangladesh Bank (BB) has pulled its foreign currency investment out of different risky ventures in the face of a financial crisis in the US and some other parts of the world.

A high-profile forex investment committee of the central bank monitors the situation every day and, accordpattern with its foreign curthe BB.

snowballing crisis, the committee headed by a deputy governor of the BB started monitoring the situation on a ment worth \$5 million in Bear daily basis instead of every 15 Stearns that was purchased by

Bangladesh should not be affected Lehman Brothers. panicked by the economic fallout from the US credit crisis.

economist for the multilateral financial crisis in the US. lending agency's Dhaka office,

said the crisis would help Bangladesh benefit from a falling oil price that went down under \$100 a barrel from \$140 a

couple of weeks ago. The central bank's forex investment is estimated at around \$5 billion, Yasin Ali, executive director of BB, told The Daily Star. "There is no risk as the investment has been made cautiously."

"We have already withdrawn ingly, changes the investment investments from a few institutions affected by the US recesrency, said a senior official of sion," Ali said. The BB has investments in some institu-Apparently alarmed by the tions such as Wachovia Corp and a few mortgage companies

in the US. The BB also has an invest-JP Morgan, another central But a senior World Bank official said, adding that it has (WB) economist thinks no investment in badly-

Zahid Hussain of WB said Bangladesh does not need to Zahid Hussain, a senior worry too much about the

"I don't see any major

impact on Bangladesh's econ- noted.

omy," Hussain said. for Bangladesh from the US meltdown.

"Bangladesh is already bene-ture. fiting from a significant reduction in oil prices."

The price of oil that reached come down to around \$100 because of sluggish demand in the US, the largest economy in the world.

temporarily, from losses for down, he said. financing pricey oil, he added.

Hussain rules out any negative impact on Bangladesh's exports as the country sells mainly low-end basic products to the US market. Most of Bangladesh's remittances come from the Middle East affected by the US turmoil, he

"As far as I know the BB does named. not invest in risky ventures such as Lehman Brothers. BB invests in zero-risk US government treasury bonds," Hussain

But he said he was not aware Even he finds some benefits of whether any private commercial bank had invested in any problem-ridden US ven- shocks.

commercial banks have no risks of loss as transactions for over \$140 a barrel, now has forward booking are made under strict scrutinisation of the regulator. There is little demand for hedging at the moment as prices of oil and Bangladesh is saved, at least other commodities are falling

sliding, its currency is becoming stronger than the euro and the pound sterling, BB officials

invested 45 percent of its forex holdings in the US dollar, countries that are not which was 26 percent a couple of months ago, another BB official said, asking not to be

urged the BB and Bangladesh embassies in different countries to stay vigilant although

HIGHLIGHTS

- A high-profile forex investment committee of BB monitors the situation every day
- BB changes the investment pattern with its foreign currency in the light of the crisis
- The central bank's forex investment is around \$5 billion
- The BB has investments in some institutions such as Wachovia Corp and a few mortgage companies in the
- A WB economist says the crisis will benefit Bangladesh

the current US crisis is not as severe as it was in the 1930s, as so many safeguard measures have been taken to absorb

The current financial tur-Yasin Ali of BB said local moil is rooted in the subprime crisis. During boom years, mortgage brokers enticed by the lure of big commissions, talked buyers with poor credit into accepting housing mortgages with little or no down payment and without credit

Banks and financial institu-Although the US economy is tions often repackaged debts with other high-risk debts and sold them to worldwide investors creating financial instruments called CDOs or The central bank has collateralised debt obligations. The serious subprime mortgage crisis began in June 2007 when two Bear Stearns hedge funds collapsed. The Federal Reserve Bank

and European Central Bank However, the WB economist have already pumped \$100 billion in liquidity into the system that calmed the market for a short period.

Cotecna serves notice on NBR

STAFF CORRESPONDENT

Cotecna yesterday served a legal notice on the government, seeking cancellation in seven days of an NBR letter that denied the pre-shipment inspection company a new

Syed Ishtiaq Ahmed & the chairman of National Board of Revenue, and an NBR member (customs).

The legal notice quoted the NBR member in the June 23 letter as saying: "We regret to inform you that your company has not been short-listed (for a new deal).

The notice termed the NBR move illegal.

Cotecna urged the government to reconsider its expres-

sion of interest in line with the law and inform the company in seven days. Cotecna has threatened to take legal action against the government in failure to comply with its demand.

PHILIPS

Cotecna officials said they would go for a lawsuit with the international court against the Associates served the notice on government after completion the Internal Resources of some procedures on Division secretary, who is also October 4, seeking up to \$100 million in damages.

In March, the NBR cancelled the licence of the PSI company six months before completion of a three-year contract on charges of violating rules.

"The earlier agreement with our client (Cotecna) was terminated by the NBR in a most illegal and arbitrary manner," Syed Ishtiaq Ahmed and Associates said in the legal notice.

Global food situation at a crossroads: IRRI

AFP, Manila

Sagging farm productivity and increasing demand have brought the world to a crossroads in terms of food security, the International Rice Research Institute (IRRI) said Sunday.

Failure to act now could lead to a long-term crisis that will make this year's price spikes seem a mere blip on the radar, said IRRI, the world's leading rice research and training centre which is based outside Manila.

productivity and continued the world food situation to a crossroads," it said in a statement on its website.

to reinvest in agriculture including research into improved technologies, infrastructure development, as well as training and education of agricultural scientists. "Growth in agricultural

productivity is the only way to ensure that people have access to enough affordable food," said Elizabeth Woods, the chairwoman of IRRI's board of

trustees.

"Achieving this is a longterm effort. A year or two of extra funding for agricultural research is not enough," she Woods said the annual rice

yield growth rate has dropped to less than one percent in recent years, compared with 2.3 percent between 1967-90.

Based on projected income and population growth, annual productivity growth of almost 1.5 percent will be needed at least until 2020.

IRRI's warning coincided "Declining agricultural with the release of a report by the UN's Food and Agriculture growing demand have brought Organisation, which said higher food prices are partly to blame for the number of hungry people growing by 75 mil-IRRI called on governments lion to about 925 million worldwide.

> The Asian Development Bank recently said that for Asian countries to prevent future food price surges, the agricultural sector needs widescale structural reform.

The ADB has increased the poverty level from one dollar a day to 1.35 a day, meaning that millions more people are now considered impoverished.

Easy loans drive car imports

REZAUL KARIM BYRON

Easy car loans for officers and employees in the private sector rent budget (FY 2008-09) would corporate world, including banks, have considerably helped recent car imports surge, according to a central bank report. In addition, a section of the

society that holds a large chunk of black money is also fuelling rates were 20, 35, 65, 100, 250 the car market growth. Currently, the Chittagong

Chittagong port data says. The Bangladesh Bank (BB) credit (LCs) settled by import-

tlements for car imports. Usually, the two-month neration. period is the peak time for

ers in the May-June period,

that most of the LC this time were opened before June 30, as the importers feared the curmotor vehicles. The budget indeed restruc-

tured supplementary duties on were added. cars by 60, 100, 250 and 350 percent depending on the horsepower. The previous duty and 350 percent.

The redefinition of 'recondiport premises are crowded tioned car might be another universities, coaching centres with 5,500 cars, while 1,000 reason for the increased car are now buying cars because more are aboard different imports. The budget defined the lending facilities are good. As many as 25,000 cars were be at least 365 days old. But transport system in the present imported through the port in before June 30, the definition of society," he said the last eight months, while the a reconditioned car was at least figure was 13,000 during the 120 days old. This definition in Bangladesh and exporters in previous eight months, the encouraged traders to import almost brand new cars.

report filed in early September triggered by car facilities shows \$78 million letters of offered to mid-rank officers in the corporate world. The num-ties offering a cheaper fuel ber of mid-rank officers is alternative have also stimuwhile the previous year withuge. The corporate offers lated the car market. Most of nessed \$35.84 million LC set- include easy loans and large the imported cars are from

gone up in the last few between Tk 8 lakh and Tk 20 The report also pointed out years," the central bank lakh.

report further says.

According to the Bangladesh Road Transport Authority (BRTA), until 1999, Dhaka had propose a rise in duties on registered around 96,000 cars and in the following eight years until 2007, another 1.10 lakh

> Bappi, a small car dealer, finds his business running well on the rise in the number of buyers from banking and large private companies.

"Even teachers of the private that a reconditioned car would Cars are also considered safe

The numbers of importers Japan have increased in recent years. Japanese exporters are But the up-trend is mainly typically Bangladeshi expatriates, Bappi pointed out. The CNG conversion facili-

sums of car maintenance remu- Japan. Car traders say Toyota Corolla tops the foreign cars in "Demand for cars has popularity, with prices ranging



Chittagong Port premises are crowded with imported cars.

ZOBAER HOSSAIN SIKDER