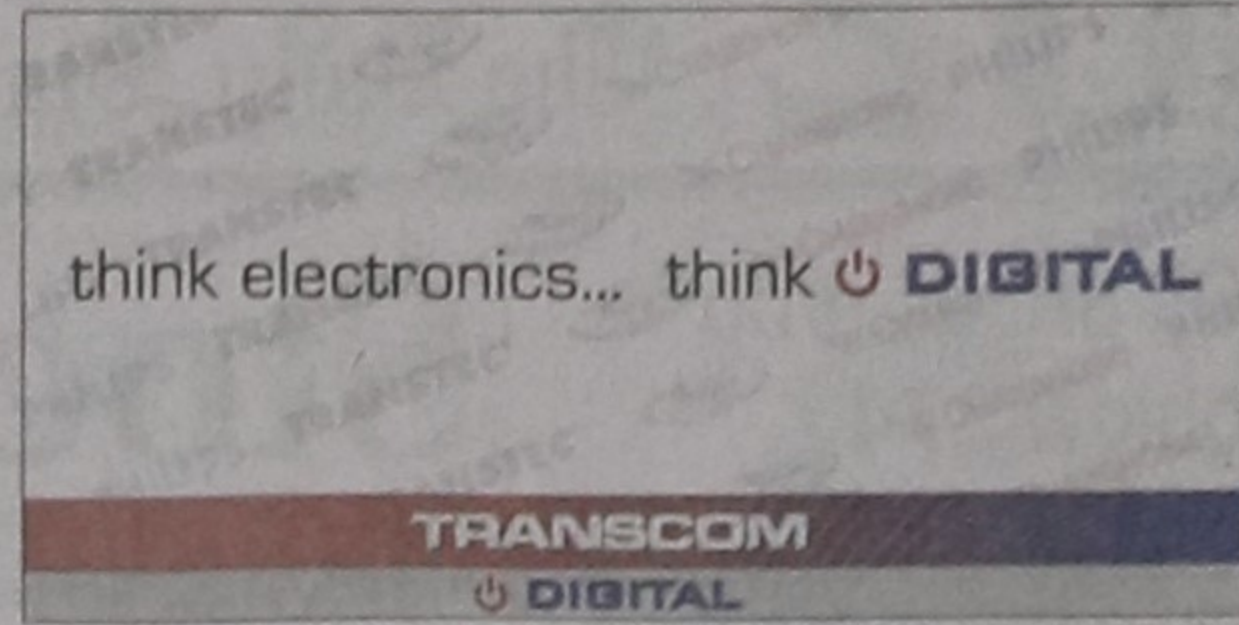


Star Business

DHAKA THURSDAY OCTOBER 16, 2008



Stocks

DGEN ▼ 0.18%
2,925.98

CSCX ▼ 0.39%
5,910.44

Asian Markets

MUMBAI ▼ 5.87%
10,809.12

TOKYO ▲ 1.06%
9,547.47

SINGAPORE ▼ 3.24%
2,059.39

SHANGHAI ▼ 1.12%
1,994.67

Currencies

	Buy Tk	Sell Tk
USD	68.15	69.15
EUR	90.93	95.34
GBP	117.05	122.12
JPY	0.67	0.70

SOURCE: STANDARD CHARTERED

Commodities

Gold ▲
\$849.50 (per ounce)

Oil ▼
\$73.74 (per barrel)

SOURCE: AFP
(Midday London Trade)

More News

Design for RMG shake-up



Bangladesh should now focus on fashion and design to grab a greater share of the pie, the global apparel market. The country has been doing exceptionally well in terms of business in the lower segment of the ready-made garment (RMG) items, or more commonly referred to as the business of basic items.

B-4

CCCI stresses coordinated development in Chittagong

Business leaders and civil society representatives yesterday underscored coordination of development efforts in Chittagong being or to be taken independently by different stakeholders.

B-3

International

Opec cuts demand forecasts

The global financial crisis will give a vicious twist to an economic slowdown hitting world demand for oil, Opec said Wednesday as it slashed consumption growth forecasts for this year and next. Opec said it cut its estimate for growth in demand for oil largely because of an "excessive" easing of demand in the US.

B-4

Contact Us

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

Govt set to craft plan to offset crisis fallout

JASIM UDDIN KHAN

The government will soon develop a strategy to offset any fallout from the global financial crisis on the country's export-oriented manufacturing sectors and find fresh export opportunities, said a senior commerce ministry official yesterday.

"The ministry has convened a meeting for Monday to get first-hand knowledge from exporters and economists for setting such a strategy," said Golam Hossain, joint secretary of the commerce ministry.

Exporters claimed if the government can undertake a suitable strategy in the light of the current situation, the country's readymade garment sector may receive 10 percent more orders than estimated for the next year.

Shaky global stock markets and volatile economic situation in western countries will reduce consumers' buying capacity in the West, the exporters said.

As a result, a large number of US and European buyers of high-end products will switch to low-end readymade garment segment where Bangladesh has already earned reputation as one of the best competitors, they explained.

The ongoing global financial crisis has ultimately pushed up labour costs in the countries such as China, Vietnam and India, the main competitors of Bangladesh in RMG exports.

The rising labour costs in those countries may shift buyers to Bangladesh, the exporters said.

They however put much emphasis on forming a befitting export strategy to offset any possible fallout.

"The government should



Customers shop for clothes in a store in the US. Despite extraordinary efforts by Washington and other governments to stem a financial market crisis, fears of worldwide recession deepened yesterday. But Bangladesh is set to make a wider export plan to cash in on the global turmoil.

appreciate the dollar against the local currency to give a boost to exports," said Faisal Samad, managing director of Surma Garments Ltd.

If it is not possible, the government should set a separate exchange rate for exporters, he suggested.

Any recession may bring some opportunities for Bangladesh, but the country's main competitors China and Vietnam are also taking measures to offset the crisis, said Ershad Ullah, managing director of Mark Fashion Wear Ltd.

The commerce ministry official said they would consider both the challenges and opportunities to form the strategy. The government wants to be a good trade facilitator, he added.

WORLD RECESSION FEARS MOUNT

Yesterday's major developments:

▷ Fears grew that the financial crisis would mutate into a worldwide recession.

▷ In Brussels, British Prime Minister Gordon Brown urged fellow EU leaders to unite against the underlying problems behind the financial crisis.

▷ The European Commission proposed that minimum state guarantees on bank deposits should be lifted within one year to 100,000 euros from 20,000 euros currently in a new bid to strengthen confidence.

▷ Greece announced government cash injections and loan guarantees of 28 billion euros (38.6 billion dollars) for banks.

▷ Iceland's central bank cut its key interest rate by 3.5 percentage points to 12 percent in a move hurried forward because of the storm that has hit the country's banks and left the country fighting national bankruptcy.

Aid cuts to deepen poverty

WFP Bangladesh chief says on the eve of World Food Day

SOHEL PARVEZ

A cutback in aid budget by the governments of developed economies due to their ongoing bailout or nationalisation drive will add to the number of hungry people, already suffering from high food prices, said World Food Programme (WFP) representative in Bangladesh yesterday.

"It would be nice to think that there won't be any effect on government spending in other areas including aid, though I fear there would be cutback even in the aid budget," John Aylieff, representative of the United Nations World Food Programme in Bangladesh, told The Daily Star.

"Inevitably there will be an impact on the poorest," said the official of WFP that runs school feeding and community nutrition programmes in Bangladesh to combat hunger and under-nutrition.

The WFP Bangladesh chief's remark followed concerns that current global economic meltdown, which led the US and European governments to nationalise banks to prop up financial markets, may affect aid flow.

Analysts say such a cut in aid would hurt global efforts to fight poverty and hunger at a time when high prices of food increased the plight of world's 923 million hungry people.

"There has been remarkable response to fight global food crisis and millions of addi-



SOHEL PARVEZ

John Aylieff says: "I would like to see donors protect aid budget."

tional dollars are provided to organisations to respond to this crisis. I would like to see donors protect aid budget," said the WFP official.

Global warming, a surge in bio-fuel production and the recent financial turmoil now threat to push more people into hunger.

"I believe there will be an increase in the number of hungry people," Aylieff said, a day before the world is set to celebrate the World Food Day that stresses food security.

It is a major concern for Bangladesh. In Bangladesh, an additional 7.5 million people have become hunger-stricken due mainly to high food prices, he said, referring to a joint report of WFP and Food and Agricultural Organisation

released recently.

According to UN organisations' estimate, 65 million people now consume less than 2112 calories per day.

Food price spike forced majority of poor households to cut their meals and increased indebtedness.

A rise in demand for food in emerging economies also contributed to the rise in food price hike.

According to WFP, by April/May this year 74 percent of households in Bangladesh reduced the size of their meals and 62 percent cut the number of meals a day.

"People here eat very narrow diet and as the price of food goes up, the diet actually narrows," the WFP Bangladesh chief said, adding that high

food price has also increased indebtedness of the poor.

However food price is now coming down because of a decline in fuel consumption and the fear of economic recession that led many investors to liquidate their investments.

The WFP official said: "The effect of food price hike is dramatic and profound, and it won't go away for a long time."

"Some people are saying that food prices are coming down and that means the problem is finished. This is simply not the case. We have to look at how the poor cope with high food prices."

He said the impact of high food prices would last not for months but for years for households, especially children. "Indebtedness is something that prolongs for months, sometimes may be for years," he added.

Aylieff is not so optimistic about the fall in food prices partly because of volatility in the global commodity markets.

"Even though the prices are coming down, they are much higher. Secondly, the markets are incredibly volatile. And the volatility is not going away shortly," the WFP official said.

He said the economic impact of hunger and under-nutrition should be considered.

"The loss in global GDP due to under-nutrition is estimated at around \$20-30 billion per year," sohel@thedailystar.net

Rice market tight next year despite big harvest: IRRRI

AFP, Manila

World rice markets are likely to remain tight next year despite an expected record harvest after key producers clamped down on exports, the International Rice Research Institute (IRRI) said yesterday.

Export prices of one of the world's most important grains almost tripled between last November and May, triggering riots in more than a dozen countries, before softening to still historically high levels of more than 700 dollars a tonne.

"The 2008-2009 rice market is likely to remain tight even with projected record global production of 432 million tonnes, a one percent increase over last year's 428 million tonnes," the Philippines-based institute said in its quarterly publication "Rice Today".

The projected rise in output is mainly due to an extra one million hectares (2.2 million acres) planted with rice, to a total 155.3 million hectares, with India accounting for more than half of the total increase, it said.

After reaching a record low of 73 million tonnes in 2004-2005, global rice stocks have been steadily rising and are projected to reach 82 million tonnes in 2008-2009, compared with 78.5 million tonnes in the previous harvest.

However, "prices are likely to remain high partly in response to export restrictions imposed by key rice-producing countries," IRRI said.

Stocks in the United States, one of the few countries to resist imposing trade barriers during the recent crisis, "are projected to decline further, further destabilising the market in the coming months," it added.

The non-profit research institute said consumption was expected to remain strong "because of substitution away from more expensive food such as fruits, vegetables and livestock products."

Bharti Airtel keen on Bangladesh



MD HASAN, from New Delhi

India's one of the leading private telecom services providers, Bharti Airtel, has expressed interest to invest in Bangladesh's mobile phone market, bringing good news to the local market's struggling performers.

Bharti Airtel is the fifth company after UK-based Vodafone, UAE-based Etisalat, Korean SK Telecom and Russian AFK Sistema to show such intent to invest in Bangladesh.

The global telecom giants are considering investment in the six-player market where most operators are struggling to reach breakeven points.

Any likely merger or acquisition has already been considered by the weak operators as it would be difficult for them to survive without a good financial health amid stiff competition.

The sales of stake in state-run TeleTalk, UAE-based Warid and the country's lone CDMA operator Citycell have been being discussed for the last few months.

"Airtel showed interest to invest in Bangladesh's mobile sector," said Maj Gen (ret'd) Manzurul Alam, chairman of Bangladesh Telecommunication Regulatory Commission (BTRC), after paying a courtesy call on Manoj Kohli, CEO of Bharti Airtel, on Monday on the sidelines of South Asian Telecommunication Regulators' Council in New Delhi.

"When Airtel showed interest to invest in Bangladesh mobile market, we suggested a pact with any of the existing operators as we are committed not to issue new mobile phone licence anymore," Manzurul Alam said.

He said the government has decided to sell 30 percent shares in TeleTalk. "If we see a good number of companies are interested to buy the stake, we'll go through an auction process."

A listed company, Airtel is based on an aggregate of 71,777,448 customers as on June 30, 2008, consisting of 69,383,716 GSM and 2,393,732 Bharti Telemedia subscribers.

The businesses at Airtel have been structured into three individual strategic business units - mobile services, telemedia services (ATS) and enterprise services. The mobile services group provides GSM services across India in 23 telecom circles, while the ATS business group offers broadband and telephone services to 94 cities.

In July, AFK Sistema, the owning company of Russia's largest mobile phone operator OAO Mobile TeleSystems, said it was in talks to buy a cellphone firm in Bangladesh.

"We are interested in Bangladeshi market, especially in its mobile phone sector. The mode of entry is under discussion as well. We will continue to work for entering Bangladesh," said Kirill Semenov, head of international press office of AFK Sistema, in a reply to The Daily Star.

Earlier, Vodafone took part in a bid to buy AKTEL's 30 percent stake, but failed as Japanese NTT DoCoMo made the highest bid and bought the stake for \$350 million.

Bangladesh's cellphone market has added 45.4 million subscribers as of August 2008. The telecom penetration rate was 30 percent by the end of 2007.

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Bangladesh, October 2008

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