

International Business News

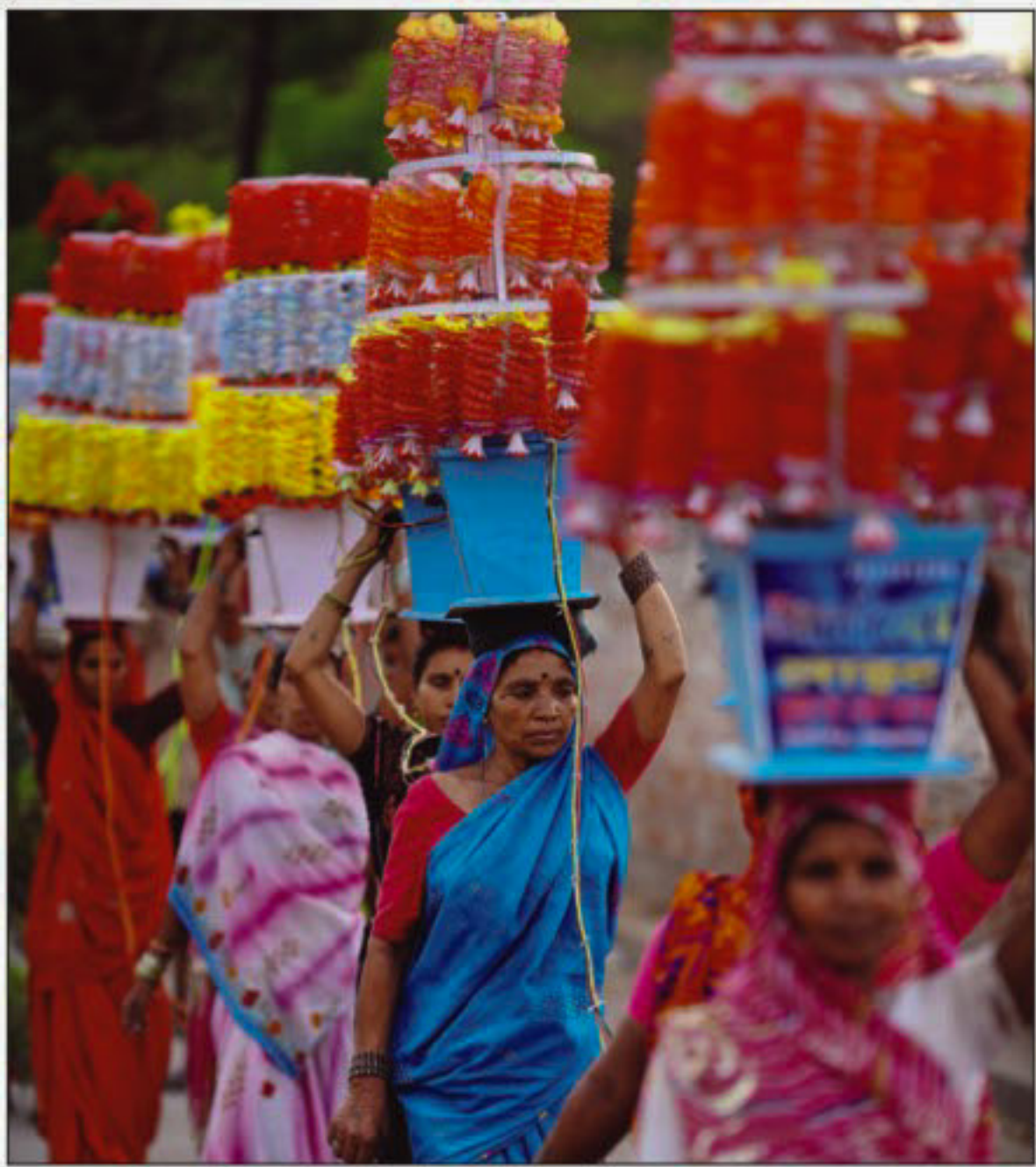
## Fed set to hold low rates as economy struggles

AFP, Washington

The US Federal Reserve opens a two-day meeting yesterday set to leave ultra-low interest rates unchanged amid weak US jobs growth and renewed concerns about the strength of the economic recovery.

With the Federal Open Market Committee (FOMC) almost certain to leave the central bank's target federal funds rate between zero and 0.25 percent, the post-meeting statement on Wednesday is expected to be center of attention.

"There was once a time when the intrigue surrounding the FOMC meeting had everything to do with the eventual decision on interest rates," said Patrick O'Hare, chief market analyst for Briefing Research.



Indian women labourers carry decorative lamps used in marriage procession in Allahabad on Monday. These daily wage labourers earn less than \$2 per day.

## Three more Spanish banks announce alliance

AFP, Madrid

Three more Spanish savings banks announced plans yesterday to form an alliance to weather the country's uncertain economic outlook sparked by the collapse of a property boom.

The three -- the Monte de Piedad y Caja General de Ahorros de Badajoz, the Caja de Ahorros y Monte de Piedad del Circulo Catolico de Obreros de Burgos and the Caja de Ahorros de la Inmaculada de Aragon -- are to join forces under a so-called "cold fusion" or "virtual" merger.

Under the set-up, the banks will keep their own brands, balance sheets and employees but a single management will monitor solvency and liquidity centrally.

It is the latest in a series of mergers and cooperation agreements promoted by Spain's central bank to restructure the country's financial sector.

## Tibet Airlines to take off next year

AFP, Beijing

The first airline to be based in Tibet will launch its first domestic flights from the remote Himalayan region in the middle of next year, state media reported yesterday.

Tibet Airlines will operate flights within Tibet and link its capital Lhasa with other major cities across the China, the China Daily said.

The carrier is considering buying Boeing 737-700 and Airbus 319 aircraft to service the high-altitude routes, the paper said. It did not say how many flights the airline would run.

China's civil aviation authorities approved the airline in March as it tries to boost tourism in Tibet by speeding up transportation between cities in the region.

The China Business News said the airline plans to buy three planes.

## Britain set for austerity budget

AFP, London

British finance minister George Osborne pledged yesterday to balance the books within five years, a spokesman said, shortly before he was to unveil an emergency austerity budget.

The chancellor of the exchequer will announce the Conservative-Liberal Democrat coalition's budget before parliament at 12:30 p.m. (1130 GMT).

"My budget is tough but it will be fair," he said, cited by the official spokesman of Prime Minister David Cameron, whose Conservative party won May elections and formed a coalition with the third-placed Liberal Democrats.

"This is an unavoidable budget because of the mess we have to clear up. So the coalition government will take responsibility for balancing Britain's books within five years," he added.

### ENTREPRENEURSHIP

# Jute bounces back

SAYEDA AKTER

The quiet and soft-spoken CEO of Creation Private Ltd had a dream. She wanted to revive the 'golden fibre' to its previous glory.

After joining the company in 2006 as the chief executive, Rubaiya Farhana promptly started researching for demand and trends in the market for the natural fibre in Europe.

"I think it is a must for an export oriented company to keep an eye on the demand and growth trends in potential markets, which will lead that market in the near future. We do it on a daily basis," she says.

"Otherwise, I would simply not be able to sell my products in those markets, and neither be such a big exporter."

In addition, Rubaiya has to monitor all the major tasks: from preparing designs, setting up a manufacturing line, procuring raw jute from local jute millers, to processing finished products.

The hard work paid off.

The company is now the third largest exporter of diversified jute products in Bangladesh. Creation won the HSBC Export Excellence Award 2009 under the SME (small and medium enterprise) category.

At present, the company exports 1,300 varieties of jute bags to the European market, except Portugal. The company's turnover stands at nearly Tk 21 crore a year.

In a country where jute was once the main foreign exchange earner and was called the 'golden fibre', it started losing its shine mainly in the '80s due to a lack of government policy and declining global demand.

Later, jute started gaining popularity as an eco-friendly fabric in the west and local manufacturers started diversifying the products made from jute.

Local jute goods exporters brought in \$377.09 million in July-April, a sharp increase of around 70 percent from the same period a year ago.

When Creation was established in 1997, it used to produce only handmade paper, most of which was used to make gift cards for both the local market and for export. It was a hit mainly among the urban youth and people who chose products for their aesthetic appeal.

In 2000, when the company started producing bags made of jute, the main aim was to bring back jute from mired production,



AMRAN HOSSAIN

Creation Private Ltd Chief Executive Rubaiya Farhana and Managing Director Rashidul Karim Munna speak of their efforts to revive the jute fibre in terms of production and exports. Creation, the third largest exporter of diversified jute products in Bangladesh, exports 1,300 varieties of jute bags to Europe.

says Rubaiya.

The mastermind behind this venture was Rashidul Karim Munna, managing director of the company and Rubaiya's husband. With nothing but a strong will to succeed and out of the box ideas, he gave it a go.

Starting out with only five workers, the couple now heads a family of 535 members under the Creation team. They work for 9-10 months a year, constantly weaving the path to becoming one of the biggest exporters of jute goods in Bangladesh.

The company produces a wide range of handbags for both for men and women, files, folders and shopping bags.

Apart from handbags, Creation exports

around 50,000 shopping bags a month to Germany, Italy and France.

"I believe Bangladesh has every chance to strengthen its foothold in the billion-dollar shopping bag market," Munna says.

"We could easily double our production and exports if we got proper government support."

But there are problems in the sector too.

Munna says local bag makers buy jute fabric from the domestic market at higher prices than what foreign importers pay for the same to buy from Bangladesh -- a setback that makes the local industry less competitive than rivals in India, the main importer of the jute fabric.

"When we buy the jute fabric, the jute mills add the sum of export incentives to the cost of the fabric, as they don't get any incentives when they sell to us," Munna says.

"Unlike India, jute bag makers in Bangladesh do not get export incentives."

"It is sad that even after buying raw materials from Bangladesh, India can sell shopping bags at lower prices," he adds. A shopping bag sells at \$1.

Despite odds, the company is being compelled to expand capacity for growing orders. The couple plans to increase operations soon.

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### INDIAN ECONOMY

# Reliance unveils big push into power sector

REUTERS, Mumbai

Mukesh Ambani's Reliance Industries recently freed from a pact that banned it from competing with his brother's firms, unveiled a push into the power sector that gave little detail at a hotly anticipated shareholder meeting.

Ambani, 53, has been avidly pursuing entry into markets that his younger brother, Anil, 51, is in, ever since the longestranged siblings ended their agreement last month not to compete directly with each other.

Mukesh told Reliance Industries shareholders the end of the agreement opened up possibilities in a power sector that provided "unbounded opportunity".

However, investors were disappointed that Mukesh, the world's fourth-richest man, did not announce more specific plans and that Anil was not in at the meeting.

"People had built unrealistic expectations that there would be big-bang announcements at the meeting," said Tejas Doshi, head of research at Sushil Finance in Mumbai.

Reliance shares, which had gained as much as 1.7 percent ahead of the meeting, ended 1.5 percent lower, underperforming the BSE Sensex.

While many equity analysts welcomed the diversification plan, some portfolio analysts said Reliance Industries should stick to its main oil and gas business.

"I would rather see them spending to buy oil assets than going into other areas," said Helsinki-based Taina Erajuuri, a portfolio manager at FIM India, which manages \$150 million of Indian stocks, including Reliance Industries.

Anil's Reliance Communications, Reliance Natural Resources Ltd and Reliance Power, with which Mukesh will be competing, also skidded and were the most active large stocks on the Bombay Stock Exchange.

Reliance Industries recently made a dramatic return to the telecom business with the \$1 billion acquisition of Infotel Broadband, the only company to win a nationwide licence for broadband wireless spectrum in a government auction of three licences.

The Times of India reported on Friday that Reliance Industries was in talks to buy the tower and fibre optics units of Anil's debt-strapped Reliance Communications, which closed down 3.6 percent.

Reliance is also keen to enter the financial and health sectors, sources have said.

Mukesh Ambani also said the company planned to expand



AFP

Chairman of India's Reliance Industries (RIL) Mukesh Ambani, centre, arrives with wife Nita, right, and mother Kokilaben, left, for the company's 36th annual general shareholders meeting in Mumbai on Friday. India's richest man Mukesh Ambani addressing company shareholders at the annual general meeting of his flagship company RIL said that the legal disputes with his younger brother Anil Ambani with whom he had a long and bitter feud was a thing of the past and indicated towards a truce.

its presence in the U.S. shale gas business, build a coke gasification facility in India, and expand its retail business.

The energy-based conglomerate plans to bid for so-called ultra mega power projects -- those exceeding 4,000 megawatts -- in India, he told shareholders after arriving at the meeting with his wife Nita and mother Kokilaben.

BROTHERLY HARMONY, BUT NO DEAL

Ambani said he looked forward to a constructive relationship with his brother's Reliance ADAG group, and was

ready to provide it with natural gas. The brothers split their father Dhirubhai's empire five years ago after disagreeing over ownership.

However, he did not say anything about a new gas deal with his brother, sending shares in Anil's Reliance Natural Resources down 7.5 percent.

The Supreme Court said in May the brothers had until this week to renegotiate the terms of their gas supply agreement and to abide by the government's price, which is nearly double the price they had agreed on in 2005.

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