

# Bangladesh to make CNG three-wheelers

Says Barua as he narrates success stories

STAR BUSINESS REPORT

The government is set to manufacture CNG three-wheelers through state-run Atlas Bangladesh, said Industries Minister Dilip Barua yesterday.

"We are looking for prospective investors from India and China," said Barua in his ministry's annual performance report.

"We will implement the plan within the shortest possible time, because we got offers to make three-wheelers locally from leading manufacturers of these two countries."

The government started a project to assemble sedan car Lancer Ex and Pajero sports vehicle in Bangladesh under a joint venture with Progoti Industries Ltd and Japanese automaker Mitsubishi Motors.

Mitsubishi will assemble the cars at Progoti's Chittagong plant and already carried out a feasibility study.

The Japanese carmaker is currently assembling Pajero Jeep V6 for Bangladesh in a deal with Progoti.

Barua said the adoption of a new industrial policy was a big success of his ministry, which envisions turning the country into a middle-income nation by 2021.

The new policy sets a target to increase the contribution of the industrial sector in GDP to 40 percent, from 28 percent now. "We hope to increase the contribution of the industrial sector to employment generation to be 25 percent from 16 percent," he said.

Barua said a reduction in fertiliser prices was also a great success of the government. "It played a major role in strengthening the food security," he said.

Last year, the government successfully tackled demand for fertiliser by ensuring smooth supply, said the minister. There will be no ferti-

liser crisis during the upcoming crop production season, he claimed.

According to the industries ministry's statistics, the urea demand will be 2.8 million tonnes this year. The government has a stock of 800,000 tonnes and has taken measures to increase the production and import.

The minister said the import of urea from Qatar, United Arab Emirates and Saudi Arabia is going on as part of state-to-state deals. Karnaphuli Fertiliser Company Ltd also agreed to sell its production to meet the peak demand.

Although no new industries were set up in the last two years, the ministry played promoted private-sector investment to set up industries, Barua said.

"We've provided adequate logistics and policy support to promote private-sector investment in the industry," he said.

# Dhaka, Riyadh sign double taxation avoidance deal

UNB, Riyadh

Bangladesh and Saudi Arabia yesterday signed a deal on avoidance of double taxation.

Commerce Minister Faruk Khan and Vice-Minister of Finance of the kingdom Hamad S Al-Bazai inked the agreement at the Ministry of Finance in Riyadh. Bangladesh Ambassador M Shahidul Islam was also present.

Khan said the opportunity of signing such a deal is another milestone in the relations Bangladesh enjoys with Saudi Arabia. "It will facilitate further cooperation," he said.

The Saudi finance minister also expressed his happiness on the new deal.

A business delegation accompanied Khan in Riyadh. He met Saudi business leaders in the Riyadh Chambers of Commerce as part of his five-day official visit to the kingdom.

He briefed the Saudi chamber leaders and businessmen about the investment climate in Bangladesh.

Khan highlighted the qualities of medicines, ceramic products, jute and jute products, frozen fish and leather and leather goods that may be exported to Saudi Arabia. The Saudi business leaders expressed interest in importing the commodities.

The delegation includes Abdus Salam Murshedy, president of Bangladesh Garment Manufacturers and Exporters Association; and Sheikh Farook Hossain, chairman of Bangladesh Jute Association.



ORASCOM  
Ahmed Abou Doma, chief executive officer of Orascom Telecom Bangladesh, and Shahriar Kamal, deputy managing director of Concord Group, exchange documents after signing a memorandum of understanding on business enrichment through resource and service sharing at Gulshan-1 in Dhaka recently.

# A year of currency war: StanChart

STAR BUSINESS DESK

The year 2010 was a tumultuous year for the global economy, but Bangladesh emerged stronger, registering solid growth and boasting robust FX reserves, Standard Chartered Bank said in an annual market roundup.

"The local financial markets saw increase in volumes and activity and quite a few landmark developments," it said.

Last year will be remembered for the currency wars, European debt crisis, and its subsequent impact on Euro. In the meantime, Bangladesh hosted its own currency market that started on a slow note, but picked up later and kept traders and banks on their toes.

USD/BDT levels were steady for the first half (H1) of the year, averaging around 69.27 in inter-bank trading for the January-June period. Trading volumes were \$13 billion in H1 2010, lowered by \$1 billion compared with H1 2009.

The local inter-bank FX market totalled over \$28 billion during January-November and the dollar-taka market accounted for 19.2 percent of the monthly trade volumes averaging \$491 million a month.

In the second half of 2010 (H2), dollar/taka levels shot up as a number of factors saw the greenback appreciating against taka. Average monthly inter-bank FX trading volume stood at \$3.6 billion, increasing from \$2.2 billion in H1.

The fundamental factor contributing to the increase in volumes was higher trade levels, as both imports and exports increased during H2, StanChart said.

"While these factors accounted for the higher volumes, high demand of funds in the markets due to business and trade requirements coupled with major dollar payments due on the part of the banks created an upward movement in the USD/BDT levels," said the report.

Near the end of 2010, the market has been characterised by a high demand for the dollar, while a shortage of BDT in money markets coupled with the high call money rates led to a unique situation where there is a significantly high demand for both the dollar and the taka.

Healthy remittance levels helped ease the stress on taka depreciation; however, remittances receipts during July-October decreased by \$32.6 million, nearly 1 percent less than the same period of 2009.

With the dollar/taka rate remaining stable for the preceding few years, demand for hedging products on the import side was negligible, rather exporters took advantage of the dollar/taka interest rates to earn premium by selling their export proceeds in the forward market. There had been hedging activities in currencies other than the dollar, with the volatility in Euro, pound, and Yen convincing clients to mitigate those exposures.

According to the report, the latest financial innovations were forwards, range forwards, and seagull structures, which are allowed by the central bank, although the volume of such deals transacted are still low.

The increased activity in the local forex market can be interpreted in a number of ways -- while volatility can bring new challenges for the market players, it also brings new opportunities for the same players to learn and grow on the path of local market to become a more matured. The outlook for Bangladesh is promising; forecasts suggest that the Bangladeshi economy will continue to grow strongly, with strong reserves and increased FDI, the report predicted.

# A sweet year for agriculture

SOHEL PARVEZ

With some small huts on both sides, the mud walkway enters into a ripening paddy field that makes a landscape of a vast golden carpet with irregular green spots.

The colourful fabric ends with greenery three-four kilometres down the horizon.

Nearby, a small river sits quiet and its water mirrors the flying white clouds, the standing paddy field.

The environment is silent. No human movement is seen as farmers have already returned home for a break. The crops' mates -- winter birds, kingfisher and heron -- fly around for a prey.

It was the scene of a paddy field on the backyards of a village in Bagerhat district in late November last year.

Now the fresh-grown rice is on the way to farmers' yards, mills, markets and finally to the kitchens of Bangladeshis, who take rice as staple food.

And farmers are celebrating the new rice that offers them a cushion as well as a good price incentive.

The hard work and investment the growers devoted in the fields pay off as rice prices are on the rise in the last one year, influenced by factors such as increase in demand for population growth, government procurement price and soaring prices of grains on the global market.

The price of coarse rice, now as low as Tk 35 per kilogram in the city, offers surplus growers a bounty. At the same time, it gives small growers and tenants, who have harvested a good crop, a cushion for a certain period.

The farmers, especially rice producers, are likely to enjoy the benefit of high prices in the next couple of months until a pros-



The year 2010 was a good year for farmers in terms of rice prices, production and input supply.

pect of good harvest of boro appears on the horizon.

Growers now pass busy days to prepare the boro seedbeds, the biggest rice crop, hoping for another good year.

"The 2010 has been a better year for us as a whole in terms of rice price, production and input supply," said ASM Sishnabi Mandal, a farmer in Dinajpur, with a happy voice over phone.

"Input such as fertiliser was available and production was fine due to favourable weather," said Mandal who expects to bag 20 percent higher margin than a year earlier.

In 2010, the crop sector registered a rise in production, according to Bangladesh Bureau of Statistics.

Although questions on the validity of rice output estimate were raised by some quarters, the statistical agency found an increment in aman rice and boro crop production in 2009 and 2010 at

1.22 crore tonnes and 1.80 crore tonnes respectively.

Farmers received high prices for their produce such as jute, onion and most vegetables, except for losses in the wake of price fall amid an output glut of potato.

Shohel Khandoker, a medium farmer at Rangpur, said he had counted huge losses due to slump in potato prices. "But it is good that prices of rice are higher," he said. "Overall, it was a good year for us."

Although soaring prices of food bite low and fixed income group, for Khandoker and his peers, a good price of agricultural produce becomes an incentive to continue investing to augment income.

This year, an increased income from farming has allowed majority of 1.47 crore farm households in rural areas to spend more and take more active part in accelerating the pace of domestic con-

sumption for the economy, growing by over 5 percent a year.

These all took place at a time when the government maintained policy support to boost agriculture, especially crop sector, to ensure the country's self-sufficiency.

In 2010, the government raised the procurement prices of paddy and rice, which influence the market price. It also substantially reduced prices of non-urea fertilisers -- TSP, MoP and DAP.

"It was a major development for agriculture. It has encouraged balanced use of fertiliser needed to maintain soil health," said M Asaduzzaman, research director of Bangladesh Institute of Development Studies (BIDS).

Along with reduced price and increased availability of fertiliser, small and marginal farmers got subsidy support for diesel-based irrigation.

At the same time, the govern-

ment still is focusing on increased disbursement of agricultural loan and surface water irrigation.

Efforts were seen to introduce new rice seed varieties that are climate-tolerant.

The government released four new rice seeds varieties for aman season last year -- submergence tolerant BR-51, BR-52 and anti-saline but short duration varieties: BR-53 and BR-54.

But efforts to ensure faster extension of the newly released seeds were not noteworthy, insiders said.

Analysts however say initiatives taken to boost crop sector will leave a positive impact in the long run.

An increased investment in research and extension as well as move to retain agriculture scientists are needed to face such challenges, as the climate changes start affecting agriculture.

"Investment in research and extension remains low. A substantial increase in the areas is very important to develop and expand stress tolerant seeds to fight against any change in climate," said Asaduzzaman.

Wais Kabir, executive chairman of Bangladesh Agricultural Research Council, said the year 2010 saw some ground preparations for developing the agriculture sector.

"What we saw that there were some attempts for overall development of agriculture. At the same time, the farm sector has passed through a tough scrutiny by the policymakers."

"Tracking and monitoring are very important for agriculture. And an increase in surveillance will bring something good for the growers and the sector as a whole."

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CHEVRON  
Thomas Hooper, superintendent of Chevron-operated Jalalabad gas plant, and Naser Ahmed, Chevron's South Asia business unit's lead adviser for corporate responsibility and community engagement, inaugurate a passenger shed constructed by the global energy giant in Sylhet recently.



UNIVERSITY OF SUSSEX  
From left, Jahir Ahmed, a professor at Jahangirnagar University; Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies (BIDS), and Katy Gardner, a professor at University of Sussex, attend a workshop on the problems and potentials of CSR in Bangladesh at BIDS conference room in Dhaka yesterday.

# GM China sales hit record high in 2010

AFP, Beijing

US auto giant General Motors said Tuesday that its sales in China, the world's largest car market, increased 28.8 percent year-on-year in 2010 to a new annual record of 2.35 million vehicles.

Its manufacturing joint ventures and major brands all set new annual sales marks, the company said in a statement.

"GM kept pace with the needs of our customers by introducing 11 new and upgraded models that are leaders in their segments in design, technology and fuel economy," Kevin Wale, president of GM China Group, said in the statement.

"At the same time, we continued to expand our local presence to position GM for long-term growth in China."

China has become increasingly important to GM due to strong domestic demand -- in November, the company became the first international carmaker to sell two million vehicles in a year in the country.