

Steelmaker plans big



Zahirul Islam

ARUN BIKASH DEY, Ctg

PHP Group moves to expand and diversify, as it plans to make a strong foothold in the country's steel industry. The company has recently acquired a steel mill at Ghorashal, AMK Steels Mill, to produce deformed bar.

"We wanted to expand our steel industry. At present we produce corrugated iron sheet in our PHP Cold Rolling Mills and PHP Continuous Galvanising Mills. Now we are going to make deformed bar in the new mill," says Zahirul Islam, managing director of PHP Ispat Ltd, a sister concern of the group.

Islam shares his views with The Daily Star on the company's latest move.

AMK Steels Mill that produces thermo mechanical treatment deformed bar was established in 2005. "The company was facing some problems, and those were hard for the company to avoid. So we acquired it for a renovation," says Islam.

The net asset value of AMK Steels is around Tk 75 crore and the total asset value of the two mills is Tk 1,000 crore.

AMK Steels has been renamed PHP Ispat after acquisition.

PHP Cold Rolling Mills is the first of such mill in the country that started operations in 1999 and PHP Continuous Galvanising Mills started operations in 2001.

These two mills produce nearly 15,000 tonnes of corrugated iron sheet a month, meeting around 40

percent demand of the country. "Our annual turnover from the mills is Tk 2,000 crore."

PHP Arabian Horse and PHP Arabian Horse Super are the two brands of the company's tins.

The official says they expect an increase in annual turnover by Tk 500 crore with the latest acquisition.

The country needs nearly 17 lakh tonnes of thermo mechanical treatment deformed-bar and 60-grade bar a year, according to Bangladesh Re-rolling Mill Owners' Association.

"We expect to produce one lakh tonnes a year and reach the three-lakh-tonne mark in the second or third year," Islam says. "We hope to meet about 7 percent of Bangladesh's total demand initially."

The company exports its PHP Arabian Horse and PHP Arabian Horse Super tins to Europe and Africa. In case of deformed bar, he says the company targets to fulfil the domestic demands at first, as the country still depends on imports.

Islam says steel is one of the important sectors in Bangladesh. "The demand for rod will increase on a regular basis. We are heading to become a developed nation. So we want to produce the best quality rods and fulfil the country's entire demand."

"If we take initiatives to make best quality products then our competitors will also do so," Islam says. "This healthy competition will let our people buy quality rods at competitive price."

Is a solar trade war about to flare?

REUTERS, Eberswalde, Germany

Germany's fifth-biggest solar power park emerges as a smudge on the horizon long before you reach it on the outskirts of the small, sleepy village of Eberswalde, an hour's drive north of Berlin. "In the far distance, you can see it," Peter Kobbe says, pointing through heavy December snowfall as he steers his Citroen van along an icy road.

Kobbe, 64, works at Finow airport, where a local investment firm built the 58 million euro (\$77 million) solar park in 2009. Finow itself was built by the Nazis before World War Two and later became one of the Soviet Union's main Cold War hubs. Now the small aircraft that still use the airport share it with about 90,000 solar modules -- which together generate enough to power 6,400 households a year.

"This is where they (the Soviets) used to store their nuclear weapons," says Kobbe, who runs a small museum documenting the airport's history, guiding his van over the snow-covered landing strip.

Now there's a different foreign presence in Finow. When the first solar modules arrived for installation they came not from a local manufacturer -- German solar company Conergy runs a factory just 45 minutes away in Frankfurt an der Oder, for instance -- but from China's Suntech Power Holdings, now the world's largest maker of photovoltaic (PV) solar modules. "We were quite surprised when the trucks brought Chinese modules, and not German ones," Kobbe says. "But they were probably cheaper." Solarhybrid, which spearheaded construction of the park, says reductions in Germany's renewable subsidies meant it had to use Suntech modules to stay competitive.

Germany has long been the global solar industry's engine. Europe's biggest economy consumed more than half the solar panels produced around the world in 2010. Solar accounts for just two percent of Germany's power production, but the country added a record 8,000 megawatts (MW) of solar modules last year -- equal to the capacity of eight nuclear reactors -- far outpacing Italy, Japan and the United States.

So why are China's solar companies benefiting at the expense of renewable

energy manufacturers in Europe and the United States? Virtually nonexistent a decade ago, Chinese solar companies now control two thirds of solar cell production in the \$39 billion global PV market. Critics say this is mostly because the generous subsidies they receive at home give them an advantage over other countries' manufacturers and restrictions keep foreign companies from competing for China's domestic projects. European and U.S. subsidies are designed to boost solar usage no matter who builds the hardware. Chinese subsidies, western firms complain, help Chinese solar manufacturers alone.

Resentment in western capitals is building. Beijing is currently considering plans to spend up to \$1.5 trillion over five years to back strategic industries, including alternative energy, a source with ties to the leadership and direct knowledge of the proposal told Reuters in December.

The Obama administration, prompted by a complaint by the United Steelworkers union in September, is now considering taking a case against China to the World Trade Organization (WTO) regarding Beijing's support of its solar companies. Last month, the U.S. government complained to the WTO that China illegally helped its wind power manufacturers. The issue of trade will be under discussion when Chinese President Hu Jintao visits Washington. Could a green trade war be brewing?

"I think we're always afraid of a trade war so we don't act. The Chinese are never afraid of a trade war so they do act. And that's why they're beating us in too many cases on clean energy and other industrial concerns," said U.S. Senator Sherrod Brown, a Democrat whose home state of Ohio is a hub of solar panel production for companies such as First Solar Inc, which still ranks as the world's top solar maker by market value and is one of the largest producers.

"For 10 years we've always stepped back because we're afraid, we don't want to upset anybody. Every other country practices trade according to its national interest. We practice trade according to an economic text book that is 10 years out of print."

TO BE CONTINUED

PAKISTAN'S TROUBLED FINANCES

Economic blasphemy

In saving itself, Pakistan's government has jeopardised the economy

THE ECONOMIST

On January 3rd Pakistan's central bank began printing rupee notes carrying the signature of Shahid Kardar, who was appointed governor of the State Bank of Pakistan in September. Unfortunately inflation has robbed money of over 15 percent of its value in the past year, and no let-up is in sight for the new notes. It is the most visible sign of an economy slouching towards another financial crisis.

At the start of the year the government raised petrol prices, prompting the Muttahida Qaumi Movement (MQM) to quit the coalition government led by the Pakistan People's Party (PPP). It left the PPP "with a choice between saving the government and saving the economy," as Maleeha Lodhi, Pakistan's former ambassador to the United States and Britain, put it in the News, a Pakistani daily.

On January 6th the PPP made its choice, reversing the price rise. The decision has rescued the government but also robbed the exchequer of 5 billion rupees (\$58m) a month. By the end of the fiscal year in June, the government's deficit could reach 6.5 percent of GDP, according to Sayem Ali of Standard Chartered bank, or even 8 percent if oil prices continue to rise, according to Mohsin Khan of the Peterson Institute, in Washington, DC.



Pakistan's budget has a lot to bear. The World Bank reckons that recovering from the summer's devastating floods, which damaged over 1.6m homes, will cost up to \$10.8 billion. To date, aid has been modest. Donors have pledged just \$2.1 billion, or \$11 per person, compared with \$363 per person promised to Haiti after its earthquake -- a slightly unfair comparison perhaps.

Yet Pakistan's fiscal troubles are antediluvian. It is one of the most

lightly taxed countries in the world. Fewer than a quarter of the country's firms declare any taxable revenues, and only 11 out of every 1,000 of its citizens pay tax on their incomes, according to the World Bank. As a result, tax revenues amount to a mere 10 percent of Pakistan's GDP.

The government had hoped to raise that ratio by broadening its sales tax, which is riddled with exemptions. Yet it lacked the heart to defy lobbies which slip through the threadbare tax net. They

include exporters who escape tax on their domestic sales, as well as retailers and wholesalers who elude tax altogether. The proposed reforms also proved unpopular with the broader public, who resent paying anything to a government that gives them so little in return.

The government's failure has jeopardised its agreement with the IMF, which is withholding the remaining \$3.5 billion of the bailout funds it offered back in 2008. At that time, the rupee was tumbling and Pakistan's foreign-exchange reserves barely covered three weeks' worth of imports. If the country is not yet in similar trouble, it can thank Pakistani folk abroad, whose remittances surged by 16.8 percent in the second half of 2010, compared with a year earlier (see chart). This is one reason why the rupee has not sunk further, and why the central bank's reserves still cover six months' worth of imports.

Yet foreign investment has slowed to a trickle, and higher commodity prices will add to the country's import bill. Meanwhile, Pakistan's foreign debt must be serviced. The finance minister is in a pickle. If Pakistanis lose heart, too, they may quit the currency, scrambling for dollars instead. Should that happen, Pakistan's reserves will quickly vanish. And here is the big difference between 2008 and today: Pakistan has already had its IMF rescue.

Food for thought

DEBORAH ZABARENKO

Feeling hungry? Maybe that's because of all the news, from around the world, about food today -- how much people produce, how much more they need, how much it's going to cost, how much of an effect it will have on climate change, and vice versa.

Starting in Washington, the US Agriculture Department reported that American stockpiles of corn and soybeans will shrink to surprisingly low levels this year, which sent grain prices soaring to 30-month highs. Bad weather in places like Australia and rising world demand led by China are partly responsible for cutting crop inventories around the globe.

There's actually encouraging news on the food front from south Sudan, where citizens are voting now to become an independent nation. While much of Africa is under intense pressure to provide food for its people, the UN World Food Programme says south Sudan could become a food exporter and end its chronic food dependency within a decade. But immediately after the vote, this area is likely to need more food aid, according to the UN.

In India, food inflation rose for the fifth straight week to the highest level in more than a year, part of a trend of rising food prices across Asia. In India's case, the price of staples like onions and tomatoes have political heft and are a major voter issue in advance of state elections there.

Back in the United States, two reports offer food for thought, or at least some interesting thoughts on food. The Worldwatch Institute, which puts together an annual "state of the world" report, focuses this year on agricultural innovation as the key to cutting poverty and stabilising the

climate. Looking at sub-Saharan Africa, where 239 million of the world's 925 million hungry people live, Worldwatch advocates building up soil and water (not just donating seeds for planting), using existing food more effectively, and thinking about the global climate impact of growing food. "African farmers could remove 50 billion tons of carbon dioxide from the atmosphere over the next 50 years, primarily by planting trees among crops and stewarding nearby forests," the report says, warding off "disastrous climate change."

Environmental analyst Lester Brown worries that this change is already imminent. Talking to reporters about his new book, "World on the Edge," Brown talked of a potential "food bubble" caused by over-use of natural water supplies and an over-ploughing of soil. "When the food bubble bursts, we will see rises in food prices," Brown said in a telephone briefing. "No one knows how much they will rise and exactly when a big jump will come."

Still hungry? Perhaps for some fish? The US National Oceanic and Atmospheric Administration told Congress today that six nations -- Colombia, Ecuador, Italy, Panama, Portugal and Venezuela -- have fishing vessels that engaged in illegal, unreported and unregulated fishing in the last two years.

It's a busy day for NOAA. Their scientists reported separately that 2010 tied with 2005 for the hottest year on record, since 1880. This caps a decade of record high temperatures that show human beings' greenhouse emissions are heating the planet, according to NOAA. Bon appetit!

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