Star BUSINESS

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TRADE UNDER SAFTA

Indo-Pak dispute, rules of origin remain barriers

Political will key to effective execution: FBCCI

MD HASAN

Full-fledged trade even in more six months under the South Asia Free Trade Area (Safta) agreement hinges now on addressing a considerable number of barriers, sources in the commerce ministry said.

The issues that still remain major hurdles for implementing the pact include trade disputes between India and Pakistan, delay in formulation of rules of origin certification and non-tariff barriers, they said.

The Saarc member countries reached a decision on implementation of the Safta pact from January I this year, although the deal was inked on January 1, 2004.

But any trade under the agreement has not come into effect yet, the sources lamented, fearing that chances of its implementation within the next six months are grim.

The Safta pact has facilitated trading among the member-states of the 7-nation regional group, South Asian Association for Regional Cooperation, on all items except those in their respective negative lists.

But India has raised the question that Pakistan would import only a limited number of products from India under its positive list, according to some officials of the commerce ministry.

"India will put up the matter at the next Safta Ministerial Council (SMC) meeting, due in next year", a high official of the ministry said, predicting that a hassle-free trade under the Safta pact would not be possible by this year unless the Indo-Pak issue is resolved.

He said although the Safta committee of experts will hold a meeting next month to revise the non-tariff barrier issue, any discussion on the Indo-Pak issue before the next SMC meeting is unlikely.

Meanwhile, India thinks Pakistan's decision to trade with India on only a few number of items under the positive list is contrary to the spirit of the free trade pact. Pakistan is learnt to have also not allowed India any access to its market.

As the Indo-Pak issue remains unresolved, formulation of rules of origin certificate is being delayed, which is considered to be another barrier, leaving the process of Safta implementation into uncertainty.

"Saarc member countries are yet to prepare their product identification certificate or rules of origin certificate paper," the commerce ministry official expressed his dismay.

Talking to The Daily Star, Mir Nasir Hossain, president of Bangladesh Federation of Chambers of Commerce and Industry (FBCCI), said, " The Safta pact signatories should come forward to remove the existing barriers, especially individual barriers, as soon as possible so that all the Saarc member-countries can reap benefits from the deal."

Besides reducing non-tariff and para-tariff barriers, he said, political will is key to the effective implementation of the Safta deal.

The Safta deal suggests the group's developing countries--India, Pakistan and Sri Lanka--reduce their import tariffs ranging from zero to five percent in the next three years.

As per the decision in the last SMC meeting, these three developing countries should reduce their import tariffs to 40 percent for the least developing countries (LDCs) in the regional group by the year 2006.

"Import tariff concessions by the developing countries for the LDCs will not bring any trade benefits for us if all other related barriers are not solved within a short time, " the FBCCI president observed.

Tata eyes acquisition of UK steel firm Corus

PALLAB BHATTACHARYA, *New Delhi*

The quest by the Tata Group, one of India's biggest industrial houses, to go global seems never-ending. Tata Steel, the steel maker, said on Thursday that it was eyeing acquisition of leading British steel firm Corus Group in what would be the largest overseas buy-out by an Indian company.

Also, the Tetley Tea, a subsidiary of Tata Tea, announced that it has signed an agreement to acquire 33 percent stake in South Africa's third largest tea company Joekels Tea Packers for an undisclosed amount.

"We are looking at Corus given recent industry consolidation. Tata Steel is reviewing a number of global opportunities," a Tata Steel spokesperson said in a statement reacting to newspaper reports that it was considering a 10.4 billion dollar bid for Corus, the world's seventh largest steel maker with 18 billion dollars in yearly sales.

He said although Corus fits into Tata Steel's strategy, there was no certainty that any approach would be made to Corus which produces 18 million tons of steel a year. Tata Steel manufactured more than five million tons of steel in the year up to March this year and aims to reach 7.5 million tons by 2008.

As part of its plan to become the low-cost and efficient supplier of steel to value added steel plants in major markets, Tata Steel has already bought two foreign companiesThailand's Millennium Steel and Singapore's NatSteel Limited. The move to buy Corus is also being viewed as part of this strategy.

On the tea front, the Tetley Group Chief Executive Officer Ken Pringle said the acquisition of Joekels "is yet another development in our plan to grow the Tata Group's tea business around the world".

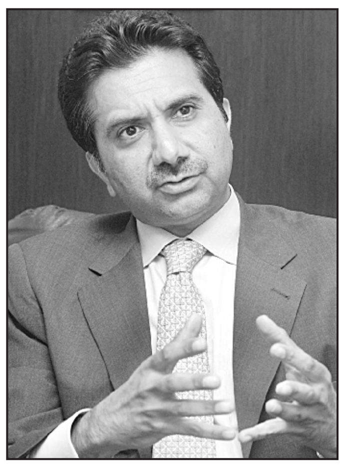
The Tetley Group, a British tea company which the Tatas acquired in the year 2000 for 407 million dollars, is the world's second largest tea bag company having a sizable presence in the UK, Canada, the US, Poland, France and Australia.

Under the agreement between Tata-controlled Tetley Tea and Joekels, the South African company will sell Tetley branded productions in not only South Africa but also in neighbouring African countries of Botswana, Namibia, Swaziland and Lesotho. Set up in 1994, Joekels has an annual turnover of five million dollars.

IPDC plans securitisation, SME financing

Akfed Director Sultan Allana tells The Daily Star

Sultan Allana (SA), Director of Aga Khan Fund for Economic Development (Akfed) that currently holds 68 percent shares of Industrial Promotion and Development Company (IPDC) of Bangladesh Limited, visited Dhaka recently. As representative of the lion's share holders, he has executive control over the affairs of IPDC, which went for public share offering in September. Allana is also chairman of Habib Bank Ltd since the bank's privatisation in February 2004. The Daily Star (DS) talked to him to know future planning and activities of the IPDC, set up in 1981 as the first financial sector institution to promote industrial development in private sector of Bangladesh.



Excerpts:

DS: As a pioneer non-banking financial institution, in what direction is IPDC planning to expand its activities since things have changed so much both for the IPDC and national economy?

SA: The economy of Bangladesh is growing and so is its financial industry. The additional capital the IPDC desires to raise through the public offering will position IPDC as one of the largest non-banking financial institutions in Bangladesh and this will greatly enhance its capacity to deliver. We plan to create new and innovative products to cater to the needs of the marketplace. Technology will play a key role and we are in the process of upgrading our platform for efficient delivery of financial services. New areas such as retail deposit mobilisation, SME financing, leasing and perhaps securitisation and other such instruments may be explored in due course.

The management of IPDC also plans to focus on strengthening the human resource base in the company and the key areas of the business will be staffed with industry specialists. The management has also embarked on a capacity building programme and it has recently recruited fresh graduates through a competitive process. Going forward, we will continue to build the franchise and expand our outreach in other parts of the city and Inshallah in other parts of the country in due course.

DS: Do you think IPDC will continue its role as a development financial institute?

SA: Most certainly it will. Furthermore, in order to address the needs of the growing economy, IPDC will increase its product offering and the management is preparing to launch retail deposit mobilisation products and in due course it plans to expand to the SME sector.

DS: Does Akfed have any commitment in Bangladesh in terms of development of human resources?

SA: Akfed is also a lion's shareholder of Habib Bank and you may be aware that Habib Bank has recently increased capital in its branch operation in Bangladesh. With this increase, we are hoping to expand the outreach of Habib Bank in Bangladesh through opening more branches in the country for which a submission will be made to the regulators in due course.

DS: What specific suggestions do you have for further development of the capital market in the country and what are your views on the potential for launching new financial instruments in the market?

SA: Capital markets in Bangladesh have performed very well in the last 3 years and it has outperformed many other markets in the region. The other day I was encouraged to hear the views of the President of the DSE and I believe that they have progressive ideas, which will contribute to developing the market. From what I understand, they plan to introduce new products and with the increase in the remittance inflows, I think that the capital markets could be one of the major beneficiaries. However, I believe that it is also important to increase the number of listed companies to widen the base of the market in order to create interest and I hope that IPDC listing will be viewed as a step forward in this direction.

DS: Since you have vast experience in facilitating investment, privatisation process, capital market, how do you look at these areas in Bangladesh?

SA: I believe that the privatisation initiative is moving in the right direction. The recent successful privatisation of one of the largest banks in the country is a manifestation of this process. I think if this process is pursued, you will have a very interesting scenario as this will not only contribute to achieving greater efficiencies in the marketplace but also to benefiting the country through foreign direct investment.

Air Mauritius offers Eid package

Air Mauritius Bangladesh recently launched an Eid package offering five days/ four nights stay in Mauritius at competitive price, says a press release.

The package includes economy class return ticket, accommodation for five days, daily breakfast and dinner, three full-day sightseeing tours and guide assistance.

Opec may decide on possible cuts by tomorrow

AFP, *Abuja*

Opec will likely decide by Monday whether to cut its daily production, a Nigerian official said Friday, fueling fresh speculation over whether the oil cartel would trim output following a recent price drop.

Nigerian Oil Minister and Opec President Edmund Daukoru "is optimistic" that a consensus "could be formed between today and Monday," but "no formal decision has been taken," said the official, who spoke on condition of anonymity.

Discussions would take place over the weekend on whether to slice daily production of Opec members by a million barrels, the official added.

Official figures released in August put total Opec production at just under 30 million barrels a day.

The official also described as "incorrect" a report of an emergency Opec meeting in Vienna October 18-19, published by Algeria's official APS news agency. Algeria is a member of the cartel.

The Financial Times reported Thursday that Opec had agreed informally to cut crude output by one million barrels per day, or 4.0 percent, to bolster prices that have fallen by about 25 percent from record levels in July and August.

A majority of the cartel back a voluntary reduction and the deal could be ratified as early as a mid-December meeting in the Nigerian capital of Abuja, the FT said.

Its report came less than a week after Opec members Nigeria and Venezuela voluntarily began reducing their oil production by a combined 170,000 barrels per day.

The Financial Times also said that Saudi Arabia, the world's top producer and Opec's most important member, was unhappy with the move towards voluntary cuts even though it has quietly cut its output by 200,000 bpd over the past two months.

PHOTO: MUTUAL TRUST BANK

Chairman of Mutual Trust Bank Ltd Syed Manzur Elahi inaugurates the 23rd branch of the bank on M Saifur Rahman Road in Moulvi Bazar recently. Director MA Rouf and Managing Director Mosharraf Hossain, among others, are seen.

FDI inflows to India nearly double in four months

AFP, *New Delhi*

India's booming economy drew a record 2.9 billion dollars in foreign direct investment in the first four months of the fiscal year, nearly double last year's amount, a report said Saturday.

"FDI inflows in April-July 2006-07 increased by 92 percent to 2.9 billion dollars from 1.5 billion dollars in the same period of the last fiscal year," Commerce Minister Kamal Nath told reporters, according to the Press Trust of India.

"India is set to recieve 12 billion dollars this year as against 8.3 billion dollars in 2005-06," Nath said in New Delhi.

For July, FDI inflows increased by a record 259 percent to 1.16 billion dollars compared with 324 million dollars in the same month a year earlier, Nath said. This total did not include reinvested earnings.

Foreign investors have been lured by India's strong economic growth.

The economy expanded by 8.9 percent in the first quarter to June after growing by 8.4 percent in the financial year ended March 31, 2006.

Nath said India had received 50.1 billion dollars in FDI since 1991 when the country began liberalising the economy. Of this, 16 billion dollars has come since April 2004.

The figures included both new investment and reinvested earnings, he added.

PHOTO: BEST AVIATION

M Haider Uzzaman, chairman of IPSSL Group, cuts a tape to mark the flight of cargo carrier Best Aviation Ltd, a concern of the Group, to Nairobi at Zia International Airport in Dhaka yesterday. The flight will take part in the humanitarian activities of the United Nations mission in Kenya.

Unemployment in Canada dips in Sept

AFP, *Ottawa*

The Canadian unemployment rate dipped slightly to 6.4 percent in September as 16,000 new jobs were created, Statistics Canada said Friday.

The report marked the first gain in employment after three months of job declines, the report said.

The report was slightly better than expected by economists, who had on average predicted the jobless rate to hold steady from the August rate of 6.5 percent.

The gains came after three months in which 25,000 jobs were lost, following an unusual gain of 96,000 in May.

But the report also showed hours worked fell 0.6 percent, a sign that economic growth may be sluggish.

Additionally, all the gains in September came from part-time employment. An increase of 31,000 in part-time jobs was offset by a decline of 15,000 full-time jobs.

But since the beginning of the year, overall employment has increased by 210,000, the report said.

Analysts said the report is likely to keep the Bank of Canada, which has kept its base rate steady at 4.25 percent after a series of hikes, on hold for the time being.

"An end to the string of job losses is a clear relief. Still, there is no compelling reason for the Bank of Canada to change its on-hold pattern," said Douglas Porter, economist at BMO Nesbitt Burns, in a research note.

WorldTel set to launch fixed phones in Dhaka next month

WorldTel Bangladesh Limited is all set to launch fixed phone operations in Dhaka metropolitan area next month, says a press release.

WorldTel, which has a license to build, own and operate PSTN telephone network in Dhaka, will initially launch 1,00,000 connections. In the second phase, the company will provide another two lakh connections.

WorldTel will use wireless local loop (WLL) service in fixed line operations. WorldTel had signed hardware procurement deal with Chinese company ZTE.

"We have completed the construction of our network covering Dhaka. The WorldTel connections will be wireless," Nayeem M Chowdhury, sponsor director and chief executive of WorldTel, said.

The tariffs will be competitive, the release added.

WorldTel Bangladesh Limited is owned by World Communications Investment Inc and WorldTel Bangladesh Holding Ltd.

World Communications Investment Inc has 99.43 percent stake in WorldTel Bangladesh Limited. The rest 0.47 percent is held by WorldTel Bangladesh Holding.

New manager of British Airways for Bangladesh

Chris Phipps has been made manager of British Airways in Bangladesh, says a press release. He is responsible for the airline's all commercial activities in the country.

Prior to this, Phipps was the commercial manager for North Africa and was based in Cairo, Egypt. He joined British Airways in 1985 and has held various sales positions within the company since then.

$5.55m saved last year thru' recycling automobile battery

BSS, *Dhaka*

Usage of recycled lead as a raw material of the automobile battery helped the country to save US $ 5.55 million (approximate Taka 38.5 crore) last year by simply avoiding import of lead.

A total of 6,26,376 lead-acid batteries were recycled last year out of 7,26,000 produced batteries across the country with recycle rate of 74 percent.

This was revealed by a recent study carried out across the country by the Waste Concern and jointly supported by the Environment and Forest Ministry and the United Nations Development Programme (UNDP).

The study also showed that with the growth of per capita GDP, use of vehicle batteries is increasing rapidly all over the country.

A H Md Maqsood Sinha and Iftekhar Enayetullah, co-founders of Waste Concern (WC), told the4 news agency yesterday that recycling of battery waste could be increased from 70 percent to 90 percent which might save nearly eight million dollars per year.

They also said a significant government intervention and financial support is needed in place of achieving economically viable, socially desirable and environmentally sound management of lead-acid batteries waste recycling in Bangladesh.

The study recommended for acquiring an overall policy package to ensure high lead recovery rate during recycling. The policy package suggested conducting awareness campaign to make all workers and parties aware of the health hazards and environmental impact associated with lead reuse and recycling.

Spain will need 4m immigrants by 2020: Study

AFP, *Madrid*

The Spanish labour market will need four million immigrants to fill demand by 2020 because the native population is aging and economic growth is expected to be strong, a Barcelona research institute said on Friday.

The Institute of Economic Studies (IEA), an offshoot of the Catalan regional government in northeastern Spain, stressed "the need to integrate more migrant workers in the coming years" on the Spanish market.

"By 2020, the Spanish labour market will need some four million new workers from the immigrant pool," the IEA said in a study entitled "Spain 2020, an inevitable cultural blending".