Star
BUSINESS
DHAKA TUESDAY DECEMBER 11, 2001

Cabinet okays manpower deal with Kuwait

UNB, *Dhaka*

The Cabinet yesterday approved a proposal for ratification of the 'Technical Cooperation Agreement on Manpower' signed between Bangladesh and Kuwait.

The accord aims at technical skill development of workers for employment in the Gulf State for manning its different sectors.

A regular meeting of the cabinet at PM office with Prime Minister Begum Khaleda Zia in the chair also approved another proposal for reorganising the Cabinet Committee on formulation of a law for setting up the National Human Rights Commission.

Govt to overhaul customs operation in N'zone

UNB, *Dhaka*

Taking urgent measure to increase the declining revenue earnings, the government has initiated overhauling the customs operation in northern zone to prevent import duty evasion.

Concrete steps were taken in a meeting at the Divisional Office of Rajshahi Customs and Excise Department today (Monday) with Commissionerate Commissioner Shahabuddin in the chair.

"In the meeting, field-level officers were requested to take all necessary steps to increase revenue and warned that immediate action would be taken if any kind of irregularity and corruption is found," said one official source.

As per the move, high officials of all customs offices in the northern region, including 48 supers and representatives of C&F agents, were called in the Rajshahi Commissionerate, UNB Lalmonirhat correspondent reports.

Under the strict measures six high-powered teams have been assigned to keep vigil on three main land ports at the border at Sonamasjid, Hili and Burimari to realise duties from the importers preventing tax evasion.

GMG to operate addl flights before Eid

GMG Airlines, the country's only private domestic airline, will operate additional flights on Dhaka-Jessore-Dhaka and Dhaka-Rajshahi-Dhaka sectors before the Eid to cater to the increased demand, says a press release.

Tickets for the additional flights can be purchased from any of the GMG Airlines sales counters countrywide.

US Trade Show 2001 begins in February

The eleventh annual 3-day US Trade Show will begin on February 18, 2002 at the Dhaka Sheraton Hotel, says a press release.

The event is the premier Trade Show in Bangladesh and will exhibit US products and services.

The US Trade Show 2001 was held at the Dhaka Sheraton Hotel in January attracted 71 participants representing over 115 US companies. The Show ended with a resounding success.

The American Chamber of Commerce in Bangladesh(AmCham) in cooperation with the US Embassy will organise the Show.

Bashundhara, Renolith ink MOU on road technology

UNB, *Dhaka*

Bashundhara Group has signed a Memorandum of Understanding (MOU) with Renolith Corporation for using Renolith technology to bring changes in the country's road construction industry.

The use of the Renolith technology is expected to ensure more durable roads with less maintenance cost saving valuable time, said a press release.

It said construction of roads with this latest technology would give 20-40 per cent cost benefits depending on location and type of roads.

This technology has been successfully implemented in many countries like China, Singapore, India, Malaysia, Indonesia, Thailand, the Philippine, Germany and Russia.

Exports mark negative growth, miss target by 16pc

RMG falls short of target by 15pc, knitwear 15pc, frozen foods 13pc, leather 23pc, jute goods 18pc, tea 29pc, handicrafts 23pc

MONJUR MAHMUD

The country's export earnings suffered a major setback during July-October period in the current financial year dipping above 10 per cent than last fiscal's same period. The earning also missed target by 16.11 per cent.

Export fetched US$2,005 million in the first four months of the current financial year against a target of $2,390 million. The earning was $2,229.27 million during the same period of last fiscal, according to Export Promotion Bureau (EPB) statistics.

"In fact, the overall export is going down day by day. There is no sign of improvements so far. The foreign exchange earning from exports would go down significantly this fiscal," an official of the Export Promotion Bureau (EPB) said.

RMG exports fetched $1,047.13 million, down 15.10 per cent from the target and also 9.47 per cent lower compared to the corresponding period of last financial year.

Knitwear worth $480.22 million was exported till October, which fell 15.26 per cent short of target, and 3.30 per cent less compared to corresponding period of last fiscal year.

During the same period, frozen foods worth $112.87 million were exported, missing target by 13.18 per cent and also a massive 32.84 per cent fall compared to corresponding period of last fiscal year.

Leather export fetched $74.19 million, 22.72 per cent less than the target and 3.51 per cent less compared to corresponding period of last fiscal year.

Jute goods worth $75.24 million were exported against a target of $91.67 million. The earning is 17.92 per cent less than the target and also 13.35 per cent less from last fiscal's corresponding period. During the July-October period, chemical products worth $31.27 million were exported against the $36.67 million target.

In the first four months of the current financial year, raw jute worth $15.99 million was exported against the target of $23.33 million, which is 31.46 per cent short of the target and marked a 23.71 per cent decline from last fiscal year.

Tea export amounted to 5.24 million kg fetching $7.08 million during the period against the $10 million earning target. The export is 29.20 per cent short of target.

Handicrafts worth only $2.06 million were exported during the period against $2.67 million target. This, however, shows a 22.85 per cent fall from the target and also 19.22 per cent decline than last earning of last fiscal.

The United States was the major market for Bangladeshi exports during July-October period, accounting for $773.79 million or 38.59 per cent of the total exports.

PHOTO: STAR

With the Eid-ul-Fitr less than a week, shopping for the festival gains momentum. Prospective buyers bargain with a shopkeeper (L) over the price of sarees yesterday in city's Bangabazar Market, a bazaar popular among the country's middle and low income groups.

Sonali Bank (UK) Ltd starts operation

Govt owns 51 pc, SB holds 49 pc stake

STAR BUSINESS REPORT

A new Bangladeshi bank, Sonali Bank (UK) Ltd, started its operation in the United Kingdom (UK) yesterday after years of consultations and groundwork.

The Sonali Bank (UK) Ltd will function as an independent bank with 10 million pounds sterling paid up capital under the licence from the Financial Services Authority (FSA), the British banking and financial watchdog.

Bangladesh government has 51 per cent share in the new bank, while the nationalised commercial bank Sonali Bank has 49 per cent holding in the company.

Finance and Planning Minister M Saifur Rahman flew to London from Saudi Arab to attend the inaugural ceremony of the bank. Finance Secretary Zakir Ahmed Khan, who is the chairman of the new bank, and SB's Managing Director Rabiul Hossain are also in London.

Earlier, the country's largest nationalised commercial bank (NCB)-- Sonali Bank (SB) -- had its operation in UK with six branches. But SB was forced to close operation of its branches in June 1999 following mismanagement. Prior to closure of the bank, the SB branches in England used to work under the license from Bangladesh Bank.

Following suspension, the UK operation of SB branch under British law was registered as Sonali Finance Company for sending remittances and carrying out small-scale trade and finance operations.

After the closure of SB's operation in the UK the finance ministry, Bangladesh Bank (BB) and SB authorities took the matter with the Bank of England (BOE) for resumption of its operation. The immediate past BB Governor Dr Mohammad Farshuddin went to England several times to pursue the case. And as a result of the effort the FSA finally gave the nod on November 27 to set up the bank, according to banking sources.

Earlier in July 2000, a three-member FSA team came to Dhaka and held discussion with the finance ministry, Bangladesh Bank and SB officials. The FSA team submitted a report to its higher authorities after evaluating the financial health of SB in detail.

According to finance ministry and SB sources, all the five branches of the SB in the UK will gradually be turn into branches of the new bank.

The additional secretary of the finance ministry has been made alternative chairman of the bank. A Bangladeshi banker Abdul Latif Baro Bhuiyan has been appointed the Chief Executive Officer (CEO) and a British citizen Trevor Durritt has been given the charge of Deputy CEO. All of them will also be the members of the bank board. Besides, two other British national John Wicker and Alex Lee having experience in international banking have also been inducted in the board.

At the time of closure, the SB branch had 59 million pounds sterling in deposits and 3.3 million pounds sterling in advances. About 80 per cent of the advances amounting to 2.7 million pounds sterling were classified.

During the time of its closure, SB had six branches in Britain two in London including the head office and one each in Lutton, Manchester, Birmingham and Bradford.

Experts call for sugarcane price hike

Move to reduce high market rates of sugar

UNB, *Dhaka*

An increase in sugarcane prices will cut down high market rates of sugar by way of decreasing cost of production through increased output in the limping mills.

From this point of view, agriculture scientists suggested that the government should enhance sugarcane price to Tk 50 per maund from Tk 41 to encourage growers to produce and supply more cane for the 15 state-run sugar mills.

They came up with the suggestion as crushing in sugar mills this season reached its peak with low targets because of short supply of sugarcane.

Higher price of sugarcane could ensure its smooth supply to the mills and thus cut down production cost from Tk 45 to Tk 30 per kg of sugar, they said.

Official mill-gate price of sugar is Tk 28 per kg, less than two-third of its production cost. The government has to market sugar at subsidised rates for the high cost of production.

Growers feel tempted to sell sugarcane to molasses producers as they get Tk 55-60 per maund in cash instead of Tk 41 from sugar mills. As a result, many mills fall short of sugarcane supply during pick crushing season from mid-November to Mid-February.

Despite a ban on power crushing, hundreds of such crushers are in operation due to popularity of molasses and its relatively lower production cost.

A delegation of Bangladesh Sugarcane Industry Development Forum placed a memorandum with the Industries Ministry in September this year suggesting measures for improving sugarcane production, its smooth supply to sugar mills, reducing sugar production cost and bringing down losses in the mills.

"But all the proposals fell on deaf ears of the authorities," regretted one of the executives of the Forum that comprises senior agriculturists and agricultural economists.

If the sugarcane price was enhanced to Tk 50 per maund, some 2.5 lakh acres could be brought under sugarcane cultivation to grow about 55 lakh tons of sugarcane. This could produce 2.5 lakh tons of sugar and 2 lakh tons of molasses, the Forum leaders argued.

In official count, country's annual demand for sugar is 4 lakh tons. Unofficial figure of consumption is as high as 6 lakh tons.

But the country's sugar mills can altogether produce only 1.75 lakh tons, leaving a yawning gap. The staggering shortfall is met by formal imports and smuggling on large scale.

To underpin their suggestion for raising cane price, the experts noted that sugarcane price rises had yielded positive results in Nepal since 1992-93. Sugarcane prices were doubled last year in the Himalayan Kingdom.

New Lankan govt gets IMF support

AP, *Colombo*

Sri Lanka's new market-friendly government led by Prime Minister Ranil Wickremesinghe got the support of the International Monetary Fund Monday, a day after he was sworn in

The new government "can get anything they want in proportion to what they actually do," Nadeem ul Haque, the IMF's senior resident representative in Sri Lanka, told Dow Jones Newswires.

"Money will be no problem for any country driving reforms, and our support will also trigger funds to Sri Lanka from others," he said.

The three-party United National Front and its allies won the Dec. 5 election, clinching 129 of the 225 Parliament seats. The Peoples' Alliance government of President Chandrika Kumaratunga and its partners trailed with 96 seats.

In April, the IMF granted a $253 million loan to Sri Lanka of which $131 million was drawn immediately. The balance was to be disbursed when the government met targets to boost growth. But political turmoil delayed that process.

Ul Haque said the "economic agenda for reforms" should include strategies for a more flexible labor sector, a smaller and more efficient state sector and a more liberalized financial sector.

Other international donor agencies have also frozen funds for key infrastructure projects in the power and road sectors as the funds were tied to reforms that never took place.

The Sri Lankan economy took a nose dive after a ferocious Tamil Tiger rebel attack on the international airport in July, a drought in several parts of the island nation, the global economic slowdown and the fallout from the Sept. 11 terrorist attacks in the United States.

The airport attack dissuaded tourists, depriving Sri Lanka of its fourth largest hard currency earner. Fear of more attacks disrupted shipping, which damaged garment and tea exports, Sri Lanka's top export commodities.

EU economy begins to stabilise, says banks, businessmen

AFP, *Brussels*

Two pan-European business organisations signalled on Monday that the European economy is steadying ready for recovery next year.

The Banking Federation of the European Union said that the European economy had begun to stabilise "albeit at a low level" and that euro-zone gross domestic product growth should be 1.5 per cent this year and 1.3 per cent in 2002.

That view was echoed by Eurochambers, a federation of chambers of commerce which found that European business leaders were "reasonably confident" about chances for economic growth next year.

The banking federation said: "The economic climate in Europe which deteriorated substantially over the last month and especially since September 11 is perceived to be starting to stabilise, albeit at a low level.

"No further worsening is anticipated but neither is a sizeable or early improvement."

Eurochambers, meanwhile, said that "in general, European entrepreneurs are reasonably confident about growth in their activity in the course of 2002, indicating that the global environment is not expected to drive the European economy into recession." Although the European economic slowdown was broadly based and affected both domestic and export demand, the banking federation did not expect a "fully fledged recession in the euro area, contrary to the US and Japan".

Euro-zone growth of 1.5 per cent in 2001 and 1.3 per cent in 2002 would be higher than growth in the United States for the first time for 10 years, it said.

Economic activity was expected to rise in the second half of 2002, helped by low interest rates and low inflation but also by an expected US recovery, it added.

Eurochambers, a federation of 36 national and 1,500 regional and local chambers of commerce and industry, said that six indicators examined by its study "remain positive for the coming year" ... "apparently confirming the stability of the fundamentals of the European economy".

But chief economists at the banking federation did not expect a strong and dynamic upswing because "remaining structural rigidities in Europe risk becoming a hindrance in the way of economic recovery."

Tata withdraws bid for stake in Air India

India's privatisation drive faces another setback

AFP, *Bombay*

India's troubled privatisation programme has received another setback with the decision of the giant Tata group to withdraw its bid for a strategic stake in national carrier Air India, analysts said Monday.

Tata said Friday it was withdrawing the bid after failing to find a foreign bidding partner in the wake of the September 11 terrorist attacks in New York and Washington.

The decision effectively scuppered the Indian government's chances of achieving its budgeted privatisation revenue target for the fiscal year ending March 2002 of 120 billion rupees (2.5 billion dollars), analysts said.

Even before the Tata decision, the planned sale of stakes in state-run firms had been suffering from bad market conditions, the slowing global and domestic economies and low business confidence.

HSBC Securities India head of research Vasudeo Joshi said the government had been looking to the Air India sale to give a boost to the disinvestment programme.

"Although there is no need to be completely pessimistic over the Air India issue, it will slow down the process of privatisation," Joshi said. He added there would now be greater pressure to accelerate the sale of other state-run companies such as overseas telecoms giant Videsh Sanchar Nigam Ltd (VSNL) and oil firm IBP Ltd.

"It is not that the government is complacent on divestment, but a big ticket selloff will give the required boost. We have had only two privatisation plans this year and so a lot now depends on blue chips such as VSNL."

The government earlier in the year sold a 51 per cent stake in Bharat Aluminium Co Ltd (BALCO) to Sterlite Industries (India) Ltd and a significant holding in software firm CMC Ltd to the Tata group.

The privatisation of BALCO was marred by political controversy, with opposition parties accusing the government of selling the stake off cheaply at 5.51 billion rupees.

India's Hindu nationalist-led coalition government has made privatisation a priority, although it has struggled to convince unions who fear job losses and influential ministries who are unwilling to cede control of lucrative state corporations.

"Privatisation is one of the key symbols of the Indian government's commitment to reforms. And to that extent we cannot afford to fail," Privatisation Minister Arun Shourie said last week.

Despite the global economic downturn, Shourie said the government would push ahead with the planned sale of 13 state firms over the next four months .

But some analysts say the government will first have to fine tune its policies, pointing to the 26 per cent cap placed on the foreign stake in Air India.

"Before the September 11 attacks, this was one of the reasons for the slow progress on Air India disinvestment, as most foreign partners felt uncomfortable to bid for such a small stake," an economist with a foreign brokerage said.

Civil Aviation Secretary A.H Jang told reporters Friday that India was considering raising foreign direct investment in the civil aviation sector to 49 per cent.

"The government must see that any future privatisation is proactive and not reactive. Failure of Tata in acquiring Air India is a case in this context as global aviation companies are not keen to expand given the current slowdown," said Kiran Nanda, economist at Gujarat Ambuja Cements Ltd.

Two leading US steelmakers announce merger talks

AFP, *Washington*

Buffeted by foreign competition, two leading US steelmakers announced Sunday they had begun merger talks as part of efforts to achieve greater consolidation of the national steel industry.

In statement released simultaneously in Pittsburgh, Pennsylvania, and Mishawaka, Indiana, the US Steel and National Steel corporations added that the deal was not yet in the offing.

But US Steel acknowledged that it had entered talks with NKK Corporation of Japan, the owner of National Steel, regarding a possible acquisition of the Indiana-based concern.

"Any acquisition would be contingent on a number of significant conditions, including a substantial restructuring of National Steel's debt and other obligations," US Steel cautioned.

The Pittsburgh-based company said it will proceed with the deal "only if the acquisition would be in the best interests" of its shareholders, customers, employees and creditors.

National Steel stressed, for its part, that the potential deal was subject to "significant risks and uncertainties, and there can be no assurance that a definitive agreement will be entered into or that the transaction will be completed."

National Steel is one of the nation's largest producers of carbon flat-rolled steel products, with annual output reaching approximately six million tonnes.

US Steel, a subsidiary of USX Corporation, reported a net loss of 18 million dollars in the third quarter of this year, despite the strong performance of its recent acquisition, a giant steel mill in Kosice, Slovakia.

The announcement comes as several key US steelmakers are involved in talks among themselves and labor unions to achieve what they call "a major integrated steel industry consolidation" in the face of mounting competition from European and Asian producers.