Star
BUSINESS

DHAKA WEDNESDAY JUNE 5, 2002

Qatar lifts restriction on Bangladeshi workers

Greece agrees to hire seamen

RAFIQ HASAN

Oil rich Middle Eastern country Qatar has withdrawn restriction on manpower recruitment from Bangladesh while European country Greece agreed to recruit seamen.

This was disclosed by State Minister for Expatriate Welfare and Overseas Employment Quamrul Islam, who recently visited the two countries for exploring overseas employment opportunities for Bangladeshis, while talking to The Daily Star on Sunday.

The minister said he met a number of ministers and high government officials in Qatar and they agreed to withdraw an 'unofficial' restriction on hiring people from Bangladesh.

According to the state minister, the Qatar government would give permission for recruiting people from Bangladesh on the basis of requirement of their local employers.

Qatar used to hire around 20,000 workers from Bangladesh annually. But it stopped hiring Bangladeshi workers for the last few years following agitation by workers at some garment factories there.

The state minister said many people earlier went there without prior job confirmation, which irked the Qatar government. But now they consider Bangladesh very friendly country and are ready to take workers for specific purposes.

A large number of people can now be employed in Qatari hotels-restaurants, hospitals and other service sectors, Quamrul said.

About the employment opportunities in Greece, Quamrul Islam said, "The authorities in Greece are very happy with the performance of Bangladeshi workers and they recently gave an amnesty to 9,500 illegal Bangladeshi workers".

The Greek government also agreed to allow Bangladeshi workers sending money through official channels, the minister said.

Greece, a predominately agriculture-based country with strong industrial infrastructure, can be one of the major destinations of Bangladeshi workers as several lakhs foreigners work there, according to sources.

"We are waiting for signing a memorandum understanding (MOU) with Greece for sending people through legal channels. A draft of the MOU would come from Greece and we would sign on it after examining various pros and cons", the state minister said.

"At least three thousand seamen and ship crew can be sent to Greece immediately," Quamrul Islam said.

According to sources in Bangladesh Association of International Recruiting Agencies (BAIRA), around 15,000 Bangladeshis are currently working in Greece. Most of them went there through various unofficial channels.

A large number of Bangladeshis are working in farmland in remote areas and their employers are very much happy with their performance, BAIRA sources said.

With a population of 11 million only, the per capita income in Greece is $ 11,960. Its recent entry into EU has given a big boost to its economy.

Apart from domestic labour force, Greece employs overseas workers mostly from Albania, and partly from neighbouring Rumania, Bulgaria and Poland.

According to a rough estimate, about five lakh Albanians work in Greece whereas Bulgarians, Rumanians and Polish labourers will be around one lakh.

Besides, there are 30,000 Indians, 20,000 Pakistanis and about 5,000 Sri Lankan workers in Greece.

New chairman of Prime Bank

Quazi Sirazul Islam MP has been elected chairman of Prime Bank Limited.

Md Shahadat Hossain and Salma Haq have also been elected vice-chairpersons of the bank.

They were elected at the 148th meeting of the board of directors of the bank in the city recently, says a press release.

The three are all sponsor directors of the bank and their term started from June 1, 2002.

Quazi Sirazul Islam started his career as a banker after completing graduation from the Dhaka University in 1962. He has established Quazi Sirajul Islam Women's Degree College, Quazi Sirajul Islam Dakhil Madrasha and Quazi Sirajul Islam Homeo Medical College & Hospital at Alphadanga upazila in Faridpur.

Md Shahadat Hossain is a renowned industrialist of Rangpur. He is also sponsor director of Prime Insurance Company.

Salma Huq is also directors of GQ Ball Pen, GQ Food Products Limited, GQ Industries Limited and GQ Properties Limited.

Khosru calls for common OIC investment fund

STAR BUSINESS REPORT

Commerce Minister Amir Khosru Mahmud Chowdhury has said the Organisation of Islamic Conference (OIC) should have a common investment fund for its member countries.

"Instead of asking for favour from rich OIC nations, let us have a common fund where the member countries will contribute as per their capacity. And the fund can be used for investment in the member countries on the basis of economic potentials," the commerce minister said yesterday.

He was speaking as the chief guest at a seminar titled "Globalisation and Sustainable Development in the OIC Countries", jointly organised by Dhaka Chamber of Commerce and Industry (DCCI) and Center for Development Research, Bangladesh (CDRB).

In Bangladesh, the agriculture-based industries have tremendous prospects, which can be tapped by utilising the fund, Khosru said.

Khosru also stressed the need for extending co-operation among the OIC nations both in public and private sectors. "Besides, the countries should have an economic cooperation agreement," he said.

The minister also said the rich OIC countries should allow the products of the poor nations to their markets.

The commerce minister described the existing pattern of co-operation from the rich OIC countries as 'culture of favour'. He said the existing culture is not economic cooperation.

In order to strengthen economic co-operation among the OIC countries there should have a trade bloc, he observed.

Dr Mizanur Rahman Shelly, Chairman of the CDRB, chaired the seminar where Professor M Kabir Hassan of University of New Orleans presented keynote paper.

In his keynote paper, Professor Hassan said economically OIC has not been a strong organisation.

"The region's dependence on non-OIC countries has been getting heavier over time, and its intra-regional trade has increased at a significantly slower rate than its extra-regional trade," the key note paper said.

Earlier, DCCI President Motiur Rahman, in his welcome speech, said the OIC countries must have their own competition policy and a common market to free the countries like Bangladesh from the external influences from the organisations such as the IMF and WTO.

PHOTO: PARTEX BEVERAGE

Murshid Kuli Khan (right), managing director of Janata Bank, met Ashfak Aziz Rubel, managing director of Partex Beverage Limited, sole franchisee for RC Cola USA in Bangladesh, at the company's bottling plant. The project is financed by the bank.

Realities of resource mobilisation in the coming budget

M MATIUL ISLAM

Budget is simply a statement of income and expenditure of the government for a fiscal year. Budget preparation entails resource mobilisation on the one hand and its allocation among the competing demands on the other. The economic consequences arise from the sources tapped for raising revenues and its allocation for various activities. However, in a developing country like Bangladesh, it is not always the economic consequences that are the determining factors. Political compulsion and expediency also take the upper hand.

The three important sources of revenue include direct taxes like income tax and corporate tax, indirect taxes like custom duty, sales tax, VAT etc and non tax revenues like income from oil imports, gas and power distribution, telephones, and post offices. The higher income and corporate tax rates reduce the available resources in the hand of the tax payers to prevent a situation where more money is chasing limited number of goods. In Bangladesh, the rates of income and corporate taxes are low compared to our neighbours. Still, there is demand for the reduction of corporate tax. I hope the finance minister will not fall into this trap which will lead to instant loss of revenue. He must then device measures to channel the corporate savings into new investments and not in paying enhanced dividends.

Therefore, elimination of tax holiday is one of the measures we may see in the budget along with proposals for widening of tax nets. Immediate former finance minister SAMS Kibria tried it through introduction of "deduction at source" in various income generating activities and on-the-spot income tax assessment. Saifur Rahman, the finance minister, is expected to modify these in some areas but extend it to others.

The indirect taxes now constitute a major source of revenue. There are, however, two limitations to tap this source further. First, the globalisation of the economy and the commitment to reduce tariffs. The second is the constraint of foreign exchange resources. We cannot sustain a regime of free unlimited imports. Saifur Rahman can take credit that during his previous tenure, he was instrumental in reducing tariffs rates faster than our neighbours and in the reduction of items subjected to quantitative restrictions from 315 in 1989-90 to 109 in 1993-94. In this budget, we might see some reversal of this policy on the grounds of resource mobilisation and protection of indigenous industry under the balance of payments exception.

The third area of resource mobilisation is the non-tax revenue which includes revenues from oil imports, sale of gas, electricity tariffs, telephone and postal tariffs. Here the main emphasis should be reduction of systems loss and unauthorised use of utilities rather than increasing the rates.

Mobilisation of resources through privatisation programme is not likely to produce much result. Privatisation of Biman, BSRS and others have been halted. There is no apparent move to privatise the nationalised oil marketing companies and the fertiliser industries, the two sectors which could generate interest among local and foreign investors. The finance minister could consider these areas for raising resources.

All in all, the area of flexibility in domestic resource mobilisation is quite limited. Therefore, with a large-sized ADP and equally important revenue budget there is every possibility of a mismatch between the available resources and the planned expenditure. Borrowings from commercial banks to close the gap will have less inflationary impact than direct borrowing from the central bank, although it will mean elbowing out the private sector from availing the commercial bank resources, which may have an adverse impact on private investment.

The writer is a former finance secretary

China expects air passenger volume to hit 140m by '10

AFP, *Shanghai*

China expects annual passenger volume on its airlines to nearly double by 2010 to 140 million, a ranking aviation official said Tuesday.

"We expect 100 million passengers by 2005 ... by 2010, we expect 140 million," Bao Peide, vice minister of civil aviation, told a gathering in Shanghai.

This figure is up from 75.2 million passengers recorded last year, up 10.9 per cent from the year before, he said.

Bao was speaking at the annual general meeting of the International Air Transport Association, which represents 280 airlines around the world.

Freight volume on Chinese airplanes is expected to rise to 4.7 million tonnes in 2010, up from 1.7 million tonnes last year, he said.

BUDGET QUIPS

"What is money laundering?"

"It is the same as erasing with strong detergent the logo on the bed-sheets we picked up during stay in Sheraton to lose track of its origin."

"Thanks to the detergent industry. We are safe."

"We would be until you are tempted to display the king size bed sheet on our queen size bed."

"MMI"

Australia tipped to hike interest rates this week

AFP, *Sydney*

Australia faces the probability of another interest rate rise after a string of new data showing unexpectedly high economic growth, analysts said Tuesday.

A rise of 0.25 of a per centage point, taking the official cash rate to 4.75 per cent, has been widely tipped to be announced Wednesday as Australia's economy grows at one of the fastest rates in the world.

But Reserve Bank of Australia (RBA) governor Ian Macfarlane warned last week of the need for continuing rates increases over 2002 to avert the risk of overheating the economy.

Since then, a surprise jump in building approvals and healthy corporate profits on top of strong retail sales and capital expenditure data, have confirmed his fears, raising the possibility the RBA will announce an even larger rise.

"Rates will rise on Wednesday and there must be a chance that it's by half a per centage point," said BT Funds Management chief economist Chris Caton.

The RBA board was meeting here Tuesday in its monthly review of monetary policy after it decided last month to hike rates by 0.25 per cent from a 30-year low of 4.25 per cent.

Nestlé dealers visit Sripur factory

Nestlé Bangladesh organised a day-long factory visit and orientation programme for its distributors of the central region on Sunday, says a press release.

In this programme, the members of the management committee shared relevant information on Nestlé operations, strategies and future plans with the visiting group.

Nestlé factory is located in Sripur, 55-km north of Dhaka. In this factory, Nestlé produces and repacks Maggi noodles & soups, Milo, Nido and a range of infant nutrition products.

Nestlé is the world's largest food group involved in nearly every field of nutrition, with an annual turnover of 84.7 billion Swiss Francs in 2001.

PHOTO: NESTLÉ

Distributors of central region of Nestlé Bangladesh Ltd visited the company's Sripur factory on Sunday. Picture shows Nestlé officials with the distributors on the factory premises.

US, European manufacturing activities up

REUTERS, *New York*

Manufacturing activity in the United States and Europe showed solid expansion in May, reports showed Monday, indicating that a global recovery in industry is deepening and reinforcing growth around the world.

But both the US and European indexes showed the global demand behind the expansion also pushed up costs of raw materials. In Europe the report raised concerns about inflation and potentially higher interest rates in the months ahead.

The US Institute for Supply Management said its monthly manufacturing index rose more than expected in May to 55.7 -- its highest level since hitting 56.7 in February 2000 -- from 53.9 in the prior month. Economists polled by Reuters had forecast the index to rise to 55.0. Any reading above 50 suggests growth, while one below 50 indicates contraction.

Japan may postpone retaliation against US steel tariffs

AFP, *Tokyo*

Japan could suspend its planned retaliation against US steel tariffs if the United States allows further exemptions for Japanese steel, trade minister Takeo Hiranuma said Tuesday.

"If we see a proposal from the United States about exceptions to their safeguard measures, that is possible," Hiranuma told a news conference, referring to a possible delay.

Japan has warned it would impose 100 per cent tariffs worth 4.88 million dollars a year on certain US steel products from June 18 unless the United States drops its new tariffs on steel imports.

If the US tariffs are proved to be against WTO rules, the penalties would expand to 123.43 million dollars.

US President George W. Bush announced in March he was applying tariffs of up to 30 per cent on most steel imports to protect the ailing US steel industry, prompting Tokyo and other countries to lodge complaints with the World Trade Organisation.

US Secretary of Commerce Donald Evans told reporters in Tokyo in April that Washington has already provided 26 tariff exclusions on Japanese steel, adding, "whether there will be more exclusions, it's possible. I'm not sure."

Moody's withdraws Iran's debt ratings under US pressure

REUTERS, *New York/London*

Credit rating agency Moody's Investors Service, in an unprecedented move, withdrew Iran's sovereign debt rating Monday, citing US government concerns that the rating was "inconsistent" with US sanctions.

The withdrawal could stall Iran's plans to borrow in the international bond market for the first time since its Islamic Revolution in 1979. The oil-rich country was last week branded by the US State Department as the most active state sponsor of terrorism.

Moody's said the withdrawal of Iran's rating was unprecedented.

"To date, there has never been the need to withdraw a sovereign rating assigned by Moody's due to government concerns (anywhere in the world)," David Levey, managing director of sovereign risk, told Reuters.

One Wall Street source with knowledge of the situation said it all boils down to paperwork.

"A ratings agency needs an export license to do business with Iran, even if the government does not pay for the rating," the source said. "Moody's did an unsolicited rating on Iran without checking in with anybody and found themselves in violation of US sanctions on Iran.

A Moody's spokesman declined to comment.

Meanwhile, the source said, Moody's competitor Standard & Poor's has been asked by Iran to rate its debt. In preparation, S&P has applied for an export license from the office of Foreign Asset Control, which is part of the US Treasury, the source said.

But the department denied pressuring Moody's. This action was not urged by the US Treasury," said a Treasury spokesman.

S&P currently does not rate Iran, or the other countries that US President George W. Bush charged with forming an "exis of evil," Iraq and North Korea.

Moody's first rated Iran in June 1999, but the rating was unsolicited and the agency was not paid for the service.

Moody's does not rate either Iraq or North Korea.

Levey said Moody's had occasionally assigned other ratings under the same circumstances. "There have been some situations over the past 15 years in which Moody's has assigned sovereign ratings without a request from the issuer and without compensation," he said.

The agency said in its original statement on Monday that it anticipated issuing updated ratings on Iran once US government concerns had been addressed, but Levey said it was too soon to talk about fresh ratings.

Moody's had rated Iran's foreign currency debt B2 and its foreign currency bank deposits B3 -- both junk bond ratings well below investment-grade. It said last November that it might upgrade the country ahead of its planned bond sale, however, citing its improved external debt position as a result of high oil prices and prudent fiscal management.

London-based Fitch Ratings assigns it a B+ long-term rating, slightly higher than Moody's B2 grade.

Japanese index shows recovery

AFP, *Tokyo*

Japan's forward-looking index of economic activity maintained a positive outlook in April, rising above the 50 point mark for the fourth consecutive month, the government said Tuesday.

The leading index of economic activity for the next three to six months stood at 72.2 points, against a revised 81.8 per cent in March, the Cabinet Office's economic and social research institute said.

The 50-point mark is regarded as the dividing line between growth and contraction in the economy.

Japan's leading index is based on a raft of financial figures which offer a pointer to the future of the economy, such as commodity indices, new car registrations and the number of new home building projects.

Filipino Congressional row torpedoes reform steps

AFP, *Manila*

A leadership struggle in the Philippines Congress has cancelled regular sessions and derailed a number of key economic reform bills backed by President Gloria Arroyo, officials said Tuesday.

The House of Representatives adjourned amid riotous scenes on Tuesday after House Speaker Jose de Venecia took the lead of Senate President Franklin Drilon, who called off regular sessions on Monday.

The quarrels, which split both chambers along partisan lines, foiled government efforts to enact a law giving incentives to the formation of asset management companies designed to rid the banking system of billions of dollars of non-performing loans.

It would also likely set back the deregulation of the power sector, because Congress failed to pass a bill that would grant a franchise to a transmission company that would be spun off from state-run utility National Power Corp.

And the quarrel killed off at least one government revenue-enchancement measure, that of indexing excise taxes to inflation.

"There will be a slight delay, of course, of several of the measures that we were hoping might have been passed in time for the adjournment of Congress" on Thursday, Arroyo aide Gabriel Claudio told reporters.

Arroyo had hoped to sign the transmission company franchise bill into law Thursday.

Under Philippine congressional procedure, the bills would have to be re-introduced when Congress resumes regular sessions on July 22.

"It's a pity that the SPAV bill was affected," de Venecia told reporters, referring to the Special Purpose Asset Vehicle bill that would have given incentives to the creation of private-sector led firms that would rid the banking sector of its bad-debt burden.

The House adjournment sparked a shouting match Tuesday, with House minority leader Carlos Padilla hollering at the speaker: "You will pay for this Mr. de Venecia."