Star
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HP, SUMEC sign MOU

HP Chemicals Ltd, Bangladesh has signed a MOU with SUMEC Complete Equipment & Engineering Co Ltd, China for production of hydrogen peroxide in its plant located at Bhulta, Narayanganj, says a press release.

Under the MOU, SUMEC Complete Equipment & Engineering Co. Ltd. is responsible for supply of complete plant, installation, commissioning, trial run and technology transfer.

The project will use natural gas for H2 generation, power generation and steam supply.

HP's main objective is to develop an import substitute for textile and paper industries that require bleaching chemical as H2O2.

ATM Hayatuzzaman, chairman of HP Chemicals Ltd. and Song Zengjin, vice president of SUMEC Complete Equipment & Engineering Co. Ltd., signed the MOU.

Indian external debt stands at $98.4b

REUTERS, *New Delhi*

India's external debt up to December 2001 stood at $98.4 billion compared with $83.8 billion in March 1991, a government statement said Tuesday.

India's external debt as of September 2001 totalled $100.4 billion, making it the world's 10th largest debtor nation. Most of the external debt was made up of government debt.

The statement said the debt-service ratio declined from 35.3 per cent in 1990/91 to 15.4 per cent in 2000/01 and 13.0 per cent in December 2001.

"A prudent debt management strategy pursued during the early 1990s has placed India in a comfortable external debt position," a status report on India's external debt situation said.

The debt-to-GDP ratio declined to 20.7 per cent in December 2001 from 38.7 per cent in 1991/92, said the status report.

The Indian government repaid $500 million worth of external debt in 2001/02 and analysts say it should take advantage of its record foreign exchange reserves and comfortable external position to repay some of the costly foreign debt.

India's foreign exchange reserves stood at $60.03 billion in the week ended August 9.

The government has appointed a panel to examine the issue of prepayment of costly external debt.

Japan business activity slumps

AFP, *Tokyo*

Business activity in Japan slipped in June from the previous month according to data released Wednesday, casting further doubt on the hesitant economic recovery.

The all-industries index, which monitors sectors such as services, construction, agriculture and fisheries, fell 0.1 per cent from May, the Ministry of Economy, Trade and Industry said.

Barclays Capital chief economist Mamoru Yamazaki said the index was depressed by slower activity in service industries and industrial production.

"Today's data suggest GDP (gross domestic product) will come out roughly flat for the second quarter," Yamazaki said. The economy grew at an annualized quarter-on-quarter rate of 5.7 per cent in the first quarter to March following last year's deep recession.

Japan's June tertiary activity index, which covers services such as retailers, restaurants and utilities, dropped 0.3 per cent from the previous month.

In May the tertiary index rose a revised 0.9 per cent and the all-industries index gained 1.0 per cent.

"The June tertiary index fell as sectors such as leasing of industrial equipment and information services dropped," a ministry official said.

"The slow activity in the leasing sector, for example, reflected sluggish or even falling capital spending," he said.

A 1.7 per cent slump in the wholesale and retail sector also contributed to the weak June figure.

Exports of auto parts were strong but these were offset by low domestic demand, another ministry official said.

The football World Cup co-hosted by Japan and South Korea in June failed to lift the services index, despite earlier hopes the month-long tournament could give a much needed boost to the sickly economy.

"Although there were one-off effects from the World Cup soccer games during the month, the overall trend looks still quite weak," noted UBS Warburg economist Ayako Mitsui.

Govt eyes new items to make up export loss

STAR BUSINESS REPORT

With export facing major setback, the government has focused on new items including light engineering products, fresh vegetables and flower to make up the export loss.

If the country does not find some new and major products in its basket shortly, the export may face the same fate it had in last fiscal, observed the 97th board meeting of the Export Promotion Bureau (EPB) held at its office yesterday.

Export faced a major setback in FY02 recording negative growth after 15 years. Export fetched US$59986.09 million, down by 7.44 per cent over the previous fiscal.

The meeting observed that to promote light engineering, the state-run Machine Tools Factory can help some potential exporters. A workshop will be organised where representatives of the vehicle producing countries will participate and interact with local entrepreneurs of the light engineering sub-sector.

Bicycle export went up by 153 per cent in the last financial year and it is going to be a significant export earner for the country shortly.

The meeting also discussed the possibilities of providing around 200 acres of land to the fresh flower growers to promote the item. A significant portion of the land near Zia International Airport may be made available for this purpose.

After participating in the Moscow fair recently, Bangladeshi exporters received good response from buyers. It can become a significant market for the country provided a few steps are taken to facilitate the trade.

A company located at the Chittagong Export Processing Zone has got export order worth one million US dollar per month but it is facing problems to export its product as there is no banking facility in Moscow now.

A nationalised commercial bank would be asked to open a representative house in Moscow to remove the banking problem, the meeting decided.

Besides, the board meeting also decided to reduce expenditure. As part of the plan, the ministry has decided to close existing exhibition hall at the EPB that is occupying around 5000 square feet space.

The government has been spending Tk 85,000 per month for long for hiring this hall apart from other expenses but no prospective buyers, diplomats or foreign guests visit the hall, the meeting was told.

Auditors' confusion delays payment of cash incentive

Local yarn users deprived

STAR BUSINESS REPORT

Four apparel and textile associations said local yarn users are deprived of cash incentive due to few conditions in the terms of reference (TOR) prepared by the central bank for auditors.

The associations BGMEA, BKMEA, BTTLMEA and BSTMPIA - jointly submitted a written prayer to the Ministry of Commerce on Monday urging the government to take necessary steps to make the process easier for immediate disbursement of the cash incentive.

In the prayer to the commerce ministry, the associations said the auditors are confused about the definition of composite textile mill and whether any of the acts of spinning, dyeing and finishing done in other local mills would be eligible for getting cash incentive.

They said their due cash incentive has totaled around Tk 500 crore till June 2002 starting from March 2001 and made plea to the government to disburse the dues as early as possible.

After the prayer, the government instructed the commercial banks concerned to disburse Tk 192 crore, fifty per cent of which was to be disburse after audit to check whether the claims of the exporters are real or not.

And as per directive of the government, the Bangladesh Bank prepared the TOR for the auditors.

BKMEA President Monjurul Haq while talking with journalists on Monday said due to confusion over a number of conditions of the TOR, in most cases the auditors are not able to issue clearance certificate for which out of Tk 192 crore only Tk 46 crore has been disbursed so far.

A delegation comprised of members of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTTLMEA) and Bangladesh Specialised Textile Mills and Powerloom Industries Association (BSTMPIA) made the joint prayer.

Relocation of Hazaribagh tanneries to Savar by 2005

STAR BUSINESS REPORT

The government has taken up a project to shift some 200 tanneries from the capital's Hazaribagh area to Savar by 2005 to save the city area from the impending environmental degradation.

The Bangladesh Small and Cottage Industries Corporation (BSCIC) has been given the responsibility to implement the project at an estimated cost of Tk 205 crore, industries ministry sources said.

At the new site, the re-located tannery factories will have common waste treatment facilities, the sources added.

Talking to The Daily Star an official of industries ministry said the ministry does not have any particular department or unit to implement such project but the BSCIC has the experience of setting up of industrial villages. "That is why we have given the BSCIC the responsibility of implementing the project," he said.

Hazardous chemical waste from the tanneries at Hazaribagh is polluting the Buriganga river and surrounding areas.

Successive governments have talked about shifting the tanneries outside the capital city but no effective measures had been taken.

As uncertainties prevailed over shifting of the tanneries, the owners refrained from making further investment to develop their industries, tannery insiders said.

According to sources, in 1992 the then BNP government acquired of 17 acres of land in Savar with a view to shifting the tanneries from Hazaribagh areas. Most of factories were established some 50 years back.

But at that time tannery owners refused to shift to Savar. During reign of previous Awami League government, there were also efforts to convince the tannery owners but ended in failure.

As per the present plan, more 183 acres of land in addition to 17 acres of land envisaged in 1992 plan will be acquired at the same site to house fire brigade and police stations and waste treatment facilities, sources said.

The infrastructure building work of the project is expected to begin in 2003 and end by 2005. The re-located tanneries are likely to go into production in between July and December, 2006.

A tripartite memorandum of understanding (MoU) was scheduled to be signed on August 15 by the BSCIC, the Bangladesh Tanners Association (BTA) and the Bangladesh Finished Leather, Leathergoods and Footwear Exporters Association (BFLLFEA).

However, the MoU was not signed on the day. Industries ministry officials said at the last moment signing of the ceremony was postponed due to some minor changes in the provisions of the MoU.

When asked Industries Minister MK Anwar said the MoU will be signed soon.

Exim Bank extends credit facility to BFIC

Export Import Bank of Bangladesh Ltd has sanctioned a credit facility to Bangladesh Finance and Investment Co Ltd (BFIC), says a press release.

An agreement to this effect was signed at the head office of the bank recently.

Mohammed Lakiotullah, managing director of Exim Bank Ltd, and M Hafizur Rahman, managing director of Bangladesh Finance and Investment Co Ltd, signed the agreement on behalf of their respective organisations. Alamgir Kabir, adviser to the bank, was present on the occasion.

Muhd Mubbarak Hussain, SEVP, Md Karuzzaman, SVP, Md Fazlur Rahman, VP, Humayun Kabir, Md Noor Hossain Chaudhury, Shah Md Abdul Bari, Mohammed Ismail, Sheikh Bashirul Islam SAVPs of Exim Bank, Mohammad Faiz, vice chairman, AKM Badruddoja, DMD, and Shah Md Badar Uddin, senior executive of Bangladesh Finance and Investment Co Ltd, were also present.

PHOTO: EXIM BANK

Mohammed Lakiotullah, managing director of Exim Bank Ltd, and M Hafizur Rahman, managing director of Bangladesh Finance and Investment Co Ltd, sign a loan agreement on behalf of their respective organisations in the city recently. Alamgir Kabir, adviser to the bank, was present on the occasion.

Chittagong tea market witnesses depression

BSS, *Chittagong*

The weekly tea auction held here Tuesday witnesses a slight depression in prices compared to the last few weeks as the Afghan buyers were absent and Pakistani buyers were very selective, market sources said yesterday.

According to the sources, the blenders and loose tea traders were also less active although lent a fair support to better liquoring types. Buyers from CIS countries were quite active.

Price declines were not very substantial especially for the useful varieties in spite of total absence of Afghan buyers and selective buying by Pakistanis. Medium and plainer teas received limited support from the market that resulted in heavy withdrawals, sources said.

CTC Leaf: 2,652 chests, 20,507 gunny sacks, 45 ppw gunny sacks (23 chests, 376 gunnysacks of old season) on offer met with much less demand at progressively lower rates.

Brokens: All brokens were a lower market, initially by Tk 1/- and with the progress of sale often declined by up to Tk 2/-, especially towards the close.

However, smaller brokens were a better market compared with their mediums and were readily absorbed at slightly lower levels. Largers brokens, particularly the cleaner types, met with a good demand.

Fannings: A handful of clean grainy fannings met with a good demand and generally sold at firm levels but all others met with less demand and sold at lower rates, particularly towards the close. There were fair withdrawals in this category. Plainer types proved difficult of sale and declined further in value.

CTC dust: 266 chests, 3083 gunny sacks and 59 gunny sacks (of old season) on offer continued to met with fairly good demand. Good liquoring types were mostly a firm market. Others eased slightly following quality particularly the CDs. Internal markets lent fairly good support with some export enquiry for liquoring RDs.

The next sale will be held on August 27, the sources said.

Malaysian recovery gains momentum

AFP, *Kuala Lumpur*

Malaysia's recovery gained momentum in the second quarter to June with the economy growing 3.8 per cent from a year earlier, the central bank said Wednesday.

Growth in gross domestic product (GDP) during the three months was a robust 3.9 per cent compared with the first quarter due to a strong recovery in exports and domestic demand.

"The Malaysian economy expanded at a stronger pace in the second quarter of 2002. Sustained strength in domestic demand and a recovery in exports raised real GDP growth to 3.8 per cent on an annual basis from 1.1 per cent in the first quarter," Bank Negara governor Zeti Akhtar Aziz told a press conference.

Private consumption rose 5.6 per cent from a year earlier in the second quarter compared with 3.0 per cent in the first quarter, while public sector consumption jumped 15.4 per cent, she said.

Zeti said that for the first time since the first quarter of 2001, exports recorded positive annual growth of 5.3 per cent. They were boosted by stronger growth in electronics exports and improved terms of trade arising from higher prices for palm oil, rubber, cocoa and timber.

PHOTO: ASIATIC

Photo shows the winners of Surf Excel Surf Your Luck campaign, organised by Lever Brothers Bangladesh Ltd at superstore Agora recently, with the employees of the two firms. The one-month promotion ran at four self-service stores-- Agora, Shop N Save, Stop N Shop and PQS -- in the city.

IMF gives Pak economy a glowing review

Military govt policies hailed

REUTERS, *Islamabad*

The International Monetary Fund (IMF) gave the Pakistan economy a glowing review Tuesday and urged any future government not to reverse policies put in place by the military leadership.

Summing up a visit to review the economy, IMF officials said debt was becoming more manageable, economic growth had started to pick up, inflation was at a healthy three per cent and the budget deficit was at a reasonable level.

They told a news briefing after meeting President Pervez Musharraf that tax collection needed to improve further and that the monitoring of funds for education and health was imperfect.

But the overall message was that Pakistan, hit by the post-September conflict in Afghanistan, a rise in militancy aimed at Christians and foreigners and a tense military standoff with neighbouring India, had ridden the storm well.

"In the last 18 months, given what has occurred in terms of sanctions, in terms Afghanistan... virtually every other country would have collapsed," said Paul Chabrier, adviser to the IMF managing director. "Pakistan has not collapsed."

The IMF approved a three-year $1.31 billion loan to Pakistan in December to help it battle poverty and offset the impact on its economy of the US-led war in neighbouring Afghanistan.

Pakistan, a key ally of the United States in its campaign against the Taliban and al Qaeda network, has won promises of aid from the West.

But Chabrier played down the politics of lending.

"It has been widely said... that because Pakistan got involved in Afghanistan they were bailed out by the West," he said.

"I can tell you very categorically this was not the way these things have been determined."

Chabrier warned against reversing economic reforms when a new government came to power after October 10 elections.

Musharraf took power in a bloodless coup in October 1999.

"The efficient running of an economy should take this experience of the last three years," he said, adding that he did not see any major economic policy changes under the main political parties contesting the poll.

Chabrier said he expected the debt/GDP ratio in fiscal 2002/03 to fall by five per cent without elaborating.

Pakistan's total foreign and domestic debt is around $65 billion, and the country spend 83 per cent of its annual government revenues on debt servicing and defence.

Finance Minister Shaukat Aziz told the briefing that the privatisation of two major banks --UBL and Habib -- was expected some time in October.

He said economic indicators in the first month of the new fiscal year (July) showed a strong rise in budget revenues and exports.

"We are off to a reasonable start," he said.

According to Aziz gross foreign exchange reserves would rise from just over $7 billion now to over $8 billion "in the next few months," aided by donor inflows and a sharp increase in remittances by Pakistanis living abroad.

ROK tax officials probe 1,800 executives at foreign firms

AFP, *Seoul*

South Korean tax officials are investigating whether some 1,800 executives at foreign companies here failed to declare taxable income earned by exercising stock options, the officials said Wednesday.

When completed, the investigation will lead to a total of some 50 billion won (42 million dollars) of overdue tax being charged to the executives, the National Tax Service (NTS) said.

"US tax authorities have provided us with documents concerning those executives who received stock options and we have analyzed them," an NTS official said.

"We have found some cases in which recipients of the stock options have failed to declare taxable income or declare only part of it and we are now collecting unpaid tax together with additional charges," he said.

Early this year the NTS randomly sampled 30 executives of three foreign firms and found that five of them had evaded 3.7 billion won of income tax.

Following this discovery, the NTS launched a fully-fledged probe and asked for tax-related details of those executives from US tax authorities.

In response to the NTS move, 182 executives of foreign firms have launched a class legal action with the Seoul administration court against the levying of income tax on capital gains obtained by exercising their stock options.

Sino-Russian trade soars

AFP, *Moscow*

Trade between Russia and China soared in the first five months of this year compared to the same period of 2001, Russian economy ministry officials said as quoted by the Interfax news agency.

In January-May this year, Sino-Russian trade grew by 20.6 per cent and topped 4.5 billion dollars, with Russian exports to China increasing by over 18 per cent and the growth of Chinese imports reaching 26.8 per cent.

Russia exports machinery, equipment, ferrous metals, fuel, chemicals, timber, fertilizers and seafood to China, importing Chinese consumer goods and food.

Oil hit 15-month high in NY on Iraq fears

REUTERS, *New York*

Oil prices briefly topped the $30 a barrel mark for the first time in 15 months Tuesday, entering the danger zone for Western consumer nations as concerns grew over possible military conflict between the United States and Iraq.

The move beyond $30 clearing peaks struck in the immediate aftermath of last September's hijacked plane attacks on New York and Washington extended a nine-day surge that has added 13 per cent to oil prices.

September crude futures on the New York Mercantile Exchange, rose to $30.32 a barrel, the highest price for prompt crude since February 2001, before expiring at $30.11.

Frontline prices will be lower on Wednesday as NYMEX October crude, which has taken over as the prompt month, was valued more than a dollar below the September contract.

October prices fell further in after-hours ACCESS trade after the American Petroleum Institute (API) released supply figures showing a 6.6 million build in crude stocks, almost completely reversing a steep fall the previous week.

NYMEX October crude was down 33 cents at $28.44 a barrel by 4.55 pm (2055 GMT). International benchmark Brent in London earlier closed down 16 cents at $27.10 a barrel.

Oil prices have steadily strengthened on fears of potential supply disruption in the Middle East, home to two-thirds of world oil reserves, as Washington mulls military action to oust Iraqi leader Saddam Hussein.

The Organisation of the Petroleum Exporting Countries has held its official production at the lowest level for a decade this year, helping to push crude prices up almost 50 per cent despite sluggish fuel demand in a downbeat economy.

Oil traders expect OPEC ministers meeting in Japan next month to loosen tough production limits as US crude stocks recently fell to their lowest level in 17 months and fuel demand normally ballrooms in the last quarter of the year.

But Kuwait's acting oil minister Sheikh Ahmad al-Fahd al-Sabah this week warned that he did not expect the Middle East-dominated OPEC to raise output unless the price of its basket of crudes went above $28 per barrel. OPEC's export price stood at $26.82 on Monday.

"It's not clear who the target audience was for al-Sabah's remark, but in our opinion, a quota hike in the near future seems more likely than not," said Michael Rothman, energy market analyst at Merrill Lynch.

UBS Warburg Energy to cut US workforce by 25pc

AFP, *Zurich*

Swiss banking company UBS said on Tuesday that UBS Warburg Energy, the energy trading unit acquired from Enron Corp., would cut its US workforce by 130 jobs, or about 25 per cent.

The cuts will mostly affect the technological and operational sectors, it said in a statement.

UBS entered the energy trading business in February when it acquired the energy trading activities of Enron, the now bankrupt US energy giant.

UBS Warburg Energy has "adapted its activities to the significant changes on the US energy market since the start of the company in February 2002", the statement said.

The layoffs stem from the successful integration of the system, the reduction of non-essential technology projects, general cost-cutting measures, and volume reductions in energy trading, it said.