

## Ctg-Yangon shipping link suspended on high costs

NURUL ALAM, Chittagong

The Chittagong-Yangon shipping service has remained suspended for the last one month as the lone operator counted huge loss due to high operational costs.

The direct shipping link between the two neighbours was introduced in February last year when Orient Express Lines, a Singapore-based shipping company, pressed a container vessel into service.

But the vessel operating between Chittagong and Yangon ports was withdrawn and placed on India -Bangladesh-Sri Lanka (IBS)

triangular route this month as it was found more viable, Orient officials said.

"We launched the shipping service last year with lot of expectations but we were forced to suspend the service due to high operational costs," said Nelum Attanayake of the Orient Express Lines.

"We incurred a loss of about half a million US dollars from 18 voyages covered since the inception of the service," Nelum said.

Replying to a question he said, "At this moment we're not thinking to resume the service as we have now concentrated on IBS route."

However, the shipping company applied to the shipping ministry of Bangladesh recently to provide it with necessary support and facilities to reduce the operational costs in a bid to resume the service.

Before introduction of this service, sea trade between the two neighbours used to take place via Singapore with a 10-day journey while the direct shipping service between Chittagong and Yangon takes only two days.

The step for introducing the direct shipping service was taken a month after Myanmar Senior General Than Shwe came to Bangladesh last year

and both the countries agreed to boost bilateral trade.

However, Bangladesh has very small amount of trade with Myanmar. Bangladesh exports fertiliser, cement and medicine to Myanmar while imports timber, maize, rice and fish from that country.

Former chairman of Bangladesh Shipping Agents Association Wadud Ullah said, "We need to have sufficient container cargoes from both sides to run a viable shipping service between Chittagong and Yangon."

## New DMD of SIBL



Shahabuddin Chaudhury joined the Social Investment Bank Limited (SIBL) as deputy managing director (DMD) recently.

Prior to his joining the SIBL, he was working as executive vice-president of National Bank Ltd, says a press release.

Chaudhury started his banking career in 1967 with Australasia Bank Ltd.

## US economy to grow above 4pc in 2004

AFP, Washington

A senior Federal Reserve official, Michael Moskow, predicted Tuesday the US economy would beat private forecasts of four percent growth in 2004 without a substantial rise in inflation.

"The consensus of private sector economists now expects real GDP (gross domestic product) growth to average around four percent in 2004," said Moskow, president of the Federal Reserve Bank of Chicago.

"However, I wouldn't be surprised to see the economy grow at an even faster rate than the consensus forecast," he told business leaders in South Bend, Indiana, according to a copy of his speech released here.

Such a pace of growth would exceed the economy's 3.0 to 3.5 percent "potential" - the maximum rate at which it can grow in the medium term without creating inflation, he said.

## \$2.10 lakh ADB aid for bird flu hit Vietnam

AFP, Manila

The Philippines-based Asian Development Bank (ADB) announced financial and technical aid for Hanoi Wednesday to help it deal with the avian influenza virus that has killed 11 people in Vietnam.

The ADB will forward 50,000 dollars to Vietnam for protective clothing for workers dealing with infected poultry, it said in a statement.

It had also put 160,000 dollars in a Vietnamese health ministry account for information and training campaigns about the disease, it said.

Vietnamese health officials reported two more bird flu deaths Wednesday, taking the human toll in the country to 11 out of 15 confirmed cases.

At least four people are known to have died in Thailand, the only other nation to have acknowledged human fatalities from the disease, which has been recorded in 10 Asian nations.

## Eurozone inflation stable in January

AFP, Brussels

Inflation in the 12-nation eurozone remained stable at 2.0 percent in January over 12 months, according to preliminary figures released by the EU's data agency Eurostat Wednesday.

The European Central Bank has set a medium-term ceiling for inflation in the eurozone of 2.0 percent. In December the 12-month inflation rate had dropped to 2.0 percent from 2.2 percent in November.

## Circuit breaker system may be revised

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) is planning to revise the present circuit breaker system that controls price of individual shares.

The consultative committee formed by the SEC with representatives from Dhaka and Chittagong stock exchanges has already forwarded its recommendations on revising the system to the Commission for approval.

Both the bourses have long been demanding withdrawal of the system saying that it sometimes helps market manipulators.

"The present circuit breaker on individual share will be replaced in phases with a circuit breaker based on index. In the first step the present system will be revised," said Mansur Alam, executive director of SEC and convenor of the committee.

Earlier, during his maiden visit to

Dhaka Stock Exchange on

December 7, SEC Chairman Mirza Azizul Islam assured the bourse officials of withdrawing the present circuit breaker system and introducing a combined circuit breaker for indices.

"This system leaves scope for market manipulators to take calculative risk by increasing or decreasing prices of a particular share up to the ceiling," said DSE director Anwar Hossain. "Its withdrawal will help the market get rid of artificial price rise or fall."

If the present circuit breaker is withdrawn, the price can increase or decrease freely, which will create scope for scrips with strong fundamentals to perform well. As a result, the manipulators can not calculate the price to make the market volatile, Hossain said.

DSE CEO Salahuddin Ahmed Khan said there should not be any restriction on price of a share on a

single day's trading. "The market should determine price."

SEC introduced the present circuit breaker system on October 4, 2001. It restricts price of shares to cross a certain level, up or down, on a single trading day. The previous day's closing price of a share is considered as base price.

Under the present circuit breaker system, share with closing price up to Tk 100 can not rise or fall by 15 percent or Tk 12, share with closing price between Tk 100 and Tk 300 can not rise or decrease by 10 percent, and share price between Tk 300 and Tk 500 can not increase or decline by 7.5 percent or Tk 30 on a single day.

Share with closing price between Tk 500 and Tk 1000 can not increase or decrease by 5 percent or Tk 40 and shares of above Tk 1000 can not rise or decline by 3 percent or Tk 50.

## Citibank NA holds seminar on treasury management

Citibank NA, Bangladesh arranged a seminar on Treasury Management recently in Chittagong.

Executives from the bank's major export and import clients in Chittagong attended the seminar to discuss importance of treasury management from a corporate perspective.

Bashar M Tareq, country treasurer of Citibank NA, Bangladesh, and Sajed ul Islam, manager, Treasury Sales, conducted the session, says a press release.

Among others, Khawza Masum Billah, resident vice-president of the bank's Corporate Banking Group in Chittagong, was also present.

The seminar was arranged in line with the bank's increased focus on its Chittagong clients.

## Solaiman Chy takes charge as Bepza executive chairman

Bangladesh Export Processing Zones Authority (Bepza) Joint Secretary AFM Solaiman Chowdhury took over the current charge of the executive chairman of Bepza on Saturday.

He replaced Brig Gen (retd) M Mofizur Rahman, says a press release.

Chowdhury joined Bepza in November last year as member (Investment Promotion). Prior to his joining Bepza, he was the chief executive officer of the Dhaka City Corporation.

He also worked as director (Finance) and acting chairman of the Bangladesh Petroleum Corporation, the release added.

## Tokyo launches FTA talks with Manila

AFP, Tokyo

Japan on Wednesday launched bilateral free trade talks with the Philippines in a bid to further open up Southeast Asian markets comprising half a billion people to its exports as well as its capital.

The talks, which are parallel to Tokyo's talks with Malaysia as well as with Thailand, follows the signing of Japan's first free trade agreement (FTA) with a fourth Association of Southeast Asian Nations (Asean) member, Singapore, last year.

"We will try to achieve comprehensive and substantial liberalization of bilateral trade and investment," Japan's Deputy Foreign Minister Ichiro Fujisaki told a joint news conference at the start of the two-day talks.

He said the two sides have agreed in principle to discuss free trade in all areas "including agriculture", a sector Tokyo has traditionally shielded from foreign competition.

Tokyo signed an economic partnership agreement last year with Asean -- Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam -- and pledged to negotiate individual FTAs with Asean countries between 2005 and 2012.

## Top 2 US auto giants skid, rivals gain ground

AFP, Detroit, Michigan

The top two American car manufacturers, General Motors and Ford, suffered a slump in car sales in January, allowing their major US and Japanese rivals to gain ground.

GM and Ford automobile sales reversed as passenger car sales plunged, eating away the gains by their truck divisions.

But the number three US manufacturer, Chrysler, said sales gained on a strong economy.

And Toyota enjoyed its best January on record.

General Motors Corp., the world's biggest automobile manufacturer, said total sales in January fell 1.9 percent from a year earlier to 299,050. Car sales slumped 17.2 percent to 124,453, outweighing a 13.0-percent advance in truck sales to 174,597.

"January sales results were below expectations," said GM vice president for North America sales John Smith.

## Indian budget cuts aid, loans to Bangladesh

PALLAB BHATTACHARYA, New Delhi

With parliamentary polls round the corner, the interim general budget of India presented on Tuesday rolled out a slew of sops for government employees, middle class people, farmers, rural and urban poor and small investors in capital market.

The budget presented by Finance Minister Jaswant Sinha shows a fall in outlays for aid and assistance programmes to Bangladesh, Bhutan and Nepal.

Aid and assistance under technical and economic cooperation and loans and advances to Bangladesh have gone down from Rs 22 crore to Rs 4.92 crore.

However, this has gone up in the case of Maldives, Myanmar and for the Central Asian countries.

The budget also earmarked Rs 25,000 crore (5.31 billion dollars) for modernisation of defence forces as a non-lapsable fund to ensure there is no slow-down in purchase of weapons and ammunitions.

There was good news for nearly 3.5 million federal government employees as the budget merged the dearness allowance with their basic pay, a move which will also push up salary-linked allowances like house rent and pension.

True, this will increase the income tax burden of the employees but the finance minister has promised to raise the standard deduction and the income tax exemption limit if the government was voted back to power.

Since it was an interim budget, the government, under the Constitution, cannot tinker with tax

structure and that was why Singh did not announce any new taxation, director or indirect.

The interim budget is primarily meant for obtaining parliamentary approval for government's expenditure for the first four months of the new fiscal year beginning on April 1.

Singh promised easy bank loans for farmers at lower than existing interest rates for crop loans and said he would ask the banks not to insist on mortgaging the entire land holding of a farmer-borrower.

He also promised credit card facility for all farmers by March 31 and tea growers and sugarcane farmers were promised easy access to credit. While small tea growers will get loans up to Rs two lakh, the loans taken by sugar factories will be restructured.

The give-away to sugarcane sector is aimed at boosting the ruling BJP-led alliance's electoral prospects in Uttar Pradesh and Maharashtra states, which rank first and second respectively in terms of number of Lok Sabha seats. Tea gardens are mostly located in Assam.

To strengthen rural credit, the finance minister announced a scheme to rev up the cooperative credit structure with an outlay of Rs 15,000 crore.

Singh has also promised to abolish capital gains tax to farmers for their land acquisition by the government.

The budget decided to bring five million families under below poverty line into the ambit of food-cover scheme taking the total number of beneficiaries to two crore.

Bolstered by projections of

higher economic growth and swelling foreign exchange reserve, the budget also hiked the duty-free baggage allowance for all Indians, including children, returning from abroad. Customs duty on baggage in excess of permissible limit was also cut from 50 to 40 percent.

Small investors in equity market has another reason to rejoice as the finance minister promised to extend the long-term capital investment gains tax exemption clause by three years by the budget from its present date of expiry at the end of this month.

This decision is expected to have a major impact on capital market with several issues lined up in coming months.

For the small-scale industry, the limit under small units credit card scheme has been raised from Rs two lakh to Rs 10 lakh for borrowers with a good track record.

The setting up of the non-lapsable defence modernisation fund has been a long-standing demand of defence ministry. "This has been done because the process of defence procurement often goes on for more than three years and this requires adequate and committed funds," the finance minister said.

The interim budget increases the defence allocation by Rs 6,300 crore raising it to nearly 9.5 percent against the revised estimate of Rs 60,300 crore envisaged in the full budget of 2003-04 fiscal year.

Despite this, India's defence spending is 2.12 percent of the Gross Domestic Product, much less than China, which has six percent, and Pakistan with four percent of GDP.

## US to face pressure on dollar, deficits at G7

AFP, Washington

The United States will be pressured by the Europeans and Japanese at the upcoming Group of Seven meeting to get its "twin deficits" under control as part of an effort to stabilize the flagging dollar, analysts say.

The two-day G7 finance ministers meeting opening Friday in Boca Raton, Florida, will give leaders a chance to take stock of the global economic situation since a September gathering in Dubai.

The Dubai meeting seemed to open the way to an acceleration of the dollar's decline over the past two years.

But the surprising result has been a surge in the value of the euro and pound, with more modest increases for Asian currencies, even though the goal had apparently been an Asian-currency adjustment that could help correct the massive US trade gap.

Economists say the Europeans, and to a lesser degree the Japanese, are concerned that their strengthening currencies will dent exports and cut into their fragile economic recoveries, and want a G7 statement to help reverse the dollar's slide.

"Clearly, the dollar is the hot-button issue. Both the Europeans and the Japanese have expressed concerns about the dollar depreciating too rapidly," said Sung Won Sohn, chief economist Wells Fargo Bank.

But Sohn said he thinks these complaints "will fall on deaf ears" in Washington, which despite its "strong dollar" rhetoric is pleased with the lower value of the dollar, which makes US exports more competitive.

"My assumption is that Washington is not all that unhappy with the gradual depreciation of the dollar," he said. "It's good for the US economy, and that's what's called for by economic fundamentals."

These fundamentals, he said, include the "twin deficits" in the federal budget and the current account, a measure of trade and investment.

A weaker dollar helps the trade deficit self-correct by lowering the prices of US goods on world markets while raising prices of goods from other countries. But because the US needs so much foreign investment capital, the danger of a sharp fall in the dollar is that it could scare off foreign investors and drive interest rates higher.

As a result, Sohn said, "the Japanese and Europeans may lecture the US on limiting budget deficits... they might express again concerns that US deficits are getting to be too high and this could have global repercussions."

Jay Bryson, global economist at Wachovia Securities, said he believes the G7 will try to come up with a communique that placates the Japanese and Europeans.

"Many people see a repeat of the message of Dubai, with some adjustments on the margins," Bryson said.

Bryson said one of the key phrases to look for includes a mention of "flexible exchange rates," mentioned in Dubai -- which seemed to be a signal to Asian nations to refrain from intervention and allow their currencies to rise.

"I don't think they're going to name China or (South) Korea or Singapore, but everybody knows what they're talking about," he said.

But he said Japan and Europe may press for a mention of "excess volatility" that could be a signal to avoid further sharp falls in the dollar.

## Ban on poultry import

## Thailand mulls retaliation against EU, Japan

AFP, Bangkok

Commerce Minister Watana Muangsook said Wednesday Thailand is considering retaliation against the EU, Japan and other chicken importers if they continue to ban poultry deemed safe by international bodies.

The European Union extended a ban on imports of Thai poultry for six months Tuesday to protect the bloc from an outbreak of the deadly bird flu which shows few signs of abating.

Japan, Thailand's largest poultry importer, banned all chicken imports from the country last month after it confirmed it was suffering an outbreak of the disease which has spread across Asia and killed 15 people.

"If our trading partners still insist on banning we will consider retaliation against their goods because with our medical certificates verified by the WHO (World Health

Organization) they have no reason for further delays," Watana said.

"There are reasonable bans on raw and frozen chicken but if there are extra conditions imposed then it will be fair to retaliate," he added.

The WHO has said the avian influenza virus is transmitted mainly through contact with infected birds or their droppings and not through eating poultry or eggs, noting that the virus is destroyed in chicken products that are cooked at 75 degrees Celsius (167 Fahrenheit) or hotter.

Thailand, Asia's largest chicken exporter with overseas sales of 1.2 billion dollars last year, was eager to negotiate with Japan, the main importer of Thai poultry, to relax its ban, Watana said.

"I will ask Japan to open its market to us if they have no reason (to shut Thailand out). If not, that means they are not fair and I will ask them to steam their Toyota cars before exporting them here," he said.

Japan had already rejected and returned 50,000 tonnes of frozen chicken to Thailand, he added.

Thailand's Finance Minister Suchart Jaovisidha tried to downplay the chicken disaster's economic impacts.

"It will not seriously affect Thailand's economy as we have estimated if the chicken ban lasts for three months it will reduce (growth) by only 0.1 percentage points and if the ban stays for six months it will decrease by 0.2 percentage points," he said.

Independent economists have warned the bird flu crisis could stunt Thailand's growth by as much as half a percentage point.

The EU's ban does not apply to imports of cooked Thai chicken. Japan is reportedly considering easing its ban on chicken imports by exempting processed products and the government intends to send experts to Thailand to study conditions here.