Star BUSINESS

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Indian oil co to invest $100m in Sri Lanka

AFP, *Bangalore*

India's state-run Indian Oil Corporation (IOC) will invest 100 million dollars in Sri Lanka's petroleum sector in the year to March 2005, an official said Friday.

IOC marketing director N.G. Kannan said the company would also invest 18 million dollars in its Mauritus unit to set up aviation refuelling facilities.

"We have taken over a large bulk storage terminal in Trincomalee, as well as over 150 petrol stations. In the next two years, we hope to cover 30 percent of the Sri Lankan market," Kannan told reporters.

"The company will add 120 petrol stations and the investment of a 100 million dollars will be pumped into our subsidiary, Lanka IOC during the next financial year," he said.

Kannan said Indian Oil Corporation was planning to enter "developing markets" such as Afghanistan, Kazhakistan, Madagascar, Nepal and Bhutan.

India, which imports nearly 70 percent of its 105 million tonnes annual oil requirement, has for several years been buying equity in overseas oil and gas fields through state-run as well as private sector companies.

The government last month also approved building strategic oil reserve facilities to provide 15 days of emergency energy supplies. The project will make India the first country in South Asia to construct strategic oil reserves.

Indian govt sale of stake in Gas Authority starts next week

AFP, *Bombay*

The Indian government's plan to sell a 10 percent stake in monopoly gas major Gas Authority of India Ltd. (GAIL) will kick off February 27, an official said Friday.

The government, which plans to offer shares to the public through the book building route, said the offer will close on March 5, with a price band being announced a day earlier.

The government currently holds a 67 percent stake in the company, which will come down to 57 after the issue which is expected to raise about 20.0 billion rupees (440 million dollars) for the government.

Of the 10 percent equity to be sold, five percent will be offered to employees.

Outlining the company's proposed plans, GAIL chairman Proshanto Banerjee said the company was poised to benefit from the changing energy equations globally.

"GAIL is one of the better performing state-run companies and the equity offer is appropriately timed when the gas industry is going from a supply constrained market to a competitive one," Banerjee said at a roadshow here to launch the proposed equity offer.

"The company plans to play a key role in the widening this market and to stengthen its position as an integrated gas supplier."

Japan punishes Tokyo StanChart over remittances

AFP, *Tokyo*

Japan's financial watchdog on Friday punished the Tokyo branch of Standard Chartered Bank for not reporting overseas money remittances by an underground finance group.

The Financial Services Agency (FSA) will suspend the branch from offering new customers any custody and clearing services for at least one year from February 27.

Japan's banking law stipulates that banks are obliged to check customer identification and produce transaction records.

"These obligations had been violated with respect to a series of remittance transactions by an underground finance group and a financial institution overseas in 2003 through deals with the Custody and Clearing Services Department of the Branch," the FSA said in a statement.

"Violations were also found to the obligation to report suspicious transactions to the FSA," it said, adding a number of similar violations had been found on other transactions.

Although the branch had several opportunities to review its internal operations, its internal controls did not work properly, the regulator said.

Soaring construction material prices take toll on property business

M ABDUR RAHIM

As prices of MS rods and construction materials continue shooting up, people intending to buy apartments are to count Tk 150-300 in excess for per square-foot, industry sources forecast.

MS (mild steel) rod price has shot up by 50 to 80 percent in the last one year, triggering 11-15 percent rise in cost of real estate companies.

Price of each ton of 60 grade MS rod was Tk 21,500-Tk 21,800 while 40 grade MS rod price was Tk 23,500-Tk 24,300 in January 2003. Now, the prices are Tk 35,500 and Tk 42,000 respectively, construction market sources said.

Real Estate and Housing Association of Bangladesh (Rehab) said if the government does not take step to bridle price the real estate industry which contributes 12-14 percent to national GDP and employs 10 lakh people will falter.

Apart from the MS rod, prices of other related materials for construction including flat bar, MS angle pipe and wire also increased which made construction cost very higher, the association mentioned.

Besides, a cartel of businessmen in the steel and re-rolling sector is manipulating the prices creating an artificial scarcity of rod, it said.

If the MS rod prices are not brought down immediately, neighbouring countries might step in to take benefit of it capturing Bangladesh's market with their products, Rehab President Toufiq M Seraj and General Secretary Mahmudul Hasan said in a press statement.

The prices of MS rods shot up especially during the month-long strike enforced jointly by the steel and re-rolling mill associations, keeping the production halted until mid-January.

Although over one month has passed since the strike was called off following government decisions to meet most of the demands of the striking groups, there is still no sign of a decline in prices of the iron products.

Instead, current prices of iron rods, iron-sheets and other iron and steel products are higher than the prices during the striking period.

The country's steel mills and the re-rolling mills went on strike demanding minimum gas bills and a simplified import policy for old ships, breaking the monopoly of the Bangladesh Ship Breakers' Association to import such items.

They were also demanding waiver of import duty on all types of raw materials for steel and re-rolling factories and reduction of interest rates for delayed payment of electricity bills and slashing of charges for gas supply.

They called off strike on January 12 after getting the minimum gas bill reduced and the permission to import old ships under a simplified policy. Following agitation of the mill owners, the government agreed to bring down the minimum gas bills for re-rolling and steel factories from 75 per cent to 50 per cent.

PHOTO: **BIFC**

Nazrul Islam, managing director (current charge) of Social Investment Bank Limited, and Hasan Iqbal, managing director of Bangladesh Industrial Finance Company Limited (BIFC), exchange documents after signing a Tk 50 million loan agreement between the two companies held in Dhaka recently.

Oil slips after hitting $36

REUTERS, *Singapore*

Oil prices edged back yesterday from four-week highs above $36 a barrel, but were supported as a build in US crude stocks did little to ease concerns about supplies, traders said.

Benchmark US light crude CLc1 for March was trading 12 cents lower at $35.88 a barrel after trading as high as $36.10 late Thursday, marking the highest since January 20 when prices hit $36.37 a barrel. April CLJ4 was down four cents at $34.60.

"It has been up eight days in a row, so it's a logical point to take a little profit," a broker in New York said.

April Brent crude on the International Petroleum Exchange was up 33 cents at $31.10 a barrel, catching up on the firmness in US prices on Thursday.

Crude futures bounced from an early sell-off on Thursday, prompted by a higher-than-expected rise in US crude stocks.

The weekly Energy Information Administration (EIA) stocks data showed a 4.9-million-barrel increase in crude stocks, against market forecasts for a 1.13-million-barrel build for the week ended February 13.

Prices recovered when the market realised a large concentration of the crude build was on the US West Coast, deemed as isolated geographically.

Analysts said the market's firmness could be attributed to the government data that also showed crude stocks fell in the Midwest, which includes the Cushing, Oklahoma, delivery point for oil traded on the New York Mercantile Exchange.

"Despite this large crude build there was actually a draw of 1.1 million barrels in PADD 2 (Midwest) which is what may be getting our price up," said Katherine Spector, energy strategist at Deutsche Bank.

US distillates stocks, which include heating oil, showed a steep decline of 5.8 million barrels to 112.5 million barrels, on strong demand, EIA data showed.

Despite scepticism over Opec's commitment to output cuts the market kept a wary eye over the cartel's moves.

"Prices have been up eight straight days since the Opec announcement," the New York broker said, adding the market would be watching closely to see if Opec members would comply with quotas at a time when prices are high.

He said the strong euro, which had surged as much as 30 per cent against the US dollar since November 2002, meant current crude prices were the equivalent of $27 a barrel for buyers using the European currency, within the range of Opec's targeted price band. The euro hit a record high around $1.29 on Wednesday before slipping to $1.27 on Friday.

Venezuelan Oil Minister Rafael Ramirez said on Thursday Opec's decision to reduce crude output from April remained firm and that the group could cut production again to defend prices.

"The decision to cut is firm. If we see the need to cut again, we will do it," he told reporters at a gas conference in the eastern coastal city of Cumana.

Opec decided last week to cut production by one million barrels per day from April 1 and to move immediately to curb 1.5 million bpd of output over current quotas to stop stocks from building too heavily in the second quarter.

Indonesian textile faces tough time as quota ends next year

AFP, *Jakarta*

Indonesia's textile manufacturers will face an increasingly tough challenge in export markets when an international quota system is scrapped next year, a report said Thursday.

Indonesian Textile Association chairman Benny Sutrisno, quoted by the Jakarta Post, said more efficient producers from China, Vietnam, India and Bangladesh would squeeze out local firms.

"Lack of trained labour as well as lack of efficiency and lack of funds to upgrade machinery will weaken the national textile industry," he said in a speech at an industry forum Wednesday.

Under a World Trade Organization ruling, the current export quota system set by the United States and Europe must be eliminated starting on January 1, 2005.

The Post said the industry employs 1.18 million people, with half the total production exported.

The president of apparel maker Great River International, Sunjoto Tanudjaja, predicted China's share of the textile export market could jump to 45 percent in the next five years from its present 17 percent.

William James, an official with the US Agency for International Development, was quoted as saying that despite tougher competition there would be opportunities in high-end products such as women's undergarments, infant-wear and designer fashion.

Poultry imports from Thailand may resume after tests: Japan

AFP, *Bangkok*

Thai cooked poultry exports to Japan suspended over the bird flu crisis could resume after tests on Thai poultry facilities to be carried out next week are concluded, livestock officials said Friday.

Shiro Yoshimura, the director general of the Narita branch livestock department, met with Thai authorities who said they were prepared to accept the sanitary standards set by Japan.

"I expect imports to resume as soon as possible, but it depends on the inspections," Yoshimura told a press conference after talks with Thai deputy agriculture minister Newin Chidchob.

"When the inspections are concluded, and they pass the criteria they can resume the exports."

A Japanese inspection team was due to arrive in Thailand next week to conduct tests at some 25 factories which Newin said produce about 95 percent of Thailand's 1.2 billion dollars worth of annual poultry exports.

"Thailand accepted 24 sanitary standards set by the Japanese authorities in order to send cooked chicken into Japan," he said.

"If the factories pass, they can resume exports immediately. If they fail the test, they'll be disqualified" from exporting to Japan, Newin said.

Among the requirements is a demand by Japan to check Thailand's poultry production factories every two years, and that the poultry must be cooked at at least 70 degrees celsius.

Newin also said that Thailand, whose export industry has been devastated by the crisis that has swept through Asia, would not consider exporting raw or frozen chicken "until Thailand controls its avian influenza."

India-China trade increases in nine months

AFP, *New Delhi*

Trade between India and China flourished in the nine months to December to be worth seven billion dollars, an Indian trade official announced Friday.

Sino-Indian trade "has truly picked up" after Chinese Premier Zhu Ronji visited New Delhi in 2002, S.N Menon, secretary in India's commerce department, told a 60-member Chinese business delegation.

He added India and China were on track to break the 10 billion dollar bilateral trade target set by their respective governments in June 2002 when Indian premier Atal Behari Vajpayee visted Bejing.

"This goal now appears to be rather modest as both India and China take their rightful place in the world economy," Menon told the Chinese delegation.

"This gathering does not really need to be told how fast Indo-China trade is actually growing. Yet to emphasise, trade during the first nine months of this fiscal year between April to December, has already crossed the seven billion dollar mark."

Li Jun, chief of the China Entrepreneurs Forum, told reporters on the sidelines of a business conference being attended by the Chinese delegation that "there could be a prefect marriage" between the Indian software and Chinese electronics industry.

Japan's service sector activity turns up in December

AFP, *Tokyo*

Japan's service sector, lagging manufacturers in the current economic recovery, showed a 0.2 percent rise in business activity in December, led by retail and property companies, the trade ministry said Friday.

The month-on-month rise in the tertiary index after adjustment for seasonal factors reversed a 2.4 percent decline in November, the Ministry of Economy, Trade and Industry said.

The ministry attributed the rise in the tertiary index to an improvement in wholesale, retail, restaurant, real-estate and leasing sectors.

For the whole of 2003, the tertiary index rose 1.0 percent after a 1.0 percent fall in 2002, with the all-industry index rising 1.0 percent after a 1.4 percent drop.

The all-industries index -- which adds primary resource and manufacturing activity and is viewed as a proxy for gross domestic product -- fell for the second consecutive month in December, sinking 0.4 percent on the month after a 1.3 percent dip in November.

SEC for widening tax gap between listed, non-listed companies

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) has proposed for widening the tax gap between listed and non-listed companies by at least 2.5 percent to encourage more companies to get listed with bourses.

SEC Chairman Mirza Azizul Islam in a letter to finance ministry recently proposed that the existing tax rate on listed companies needs to be revised to give boost to the capital market.

At present, the tax rate for listed companies that declare less than 10 per cent dividend and non-listed companies is the same at 37.5 percent.

"Under the existing tax system, the listed companies which declare less than 10 percent dividend are deprived of rebate facilities," the SEC chief said, saying there should be separate tax rates for listed and non-listed companies.

According to the Finance Act, 2003, the tax rate of 37.5 percent is applicable to both the listed companies declaring less than 10 percent dividend and non-listed companies.

Again, listed companies declaring dividend between 10 and 20 percent are to pay tax at 30 percent and companies declaring dividend above 20 percent have to pay 27.5 percent tax, according to the act.

Financial institutions have been kept outside the purview of the rebate, as these pay 45 percent income tax irrespective of their listed and non-listed status.

The capital market watchdog has also recommended lowering the current 30 percent income tax rate to 27.5 per cent for those, which declare dividend between 10 and 20 per cent.

It also proposed imposing 37.5 percent income tax for the publicly traded companies which declare dividend less than five percent.

Thailand, Vietnam pledge to flight bird flu together

AFP, *Danang, Vietnam*

Under the shadow of their deadly bird flu outbreaks, neighbouring Vietnam and Thailand held their first-ever joint cabinet meeting Friday,

Led by Vietnamese Prime Minister Phan Van Khai and his Thai counterpart Thaksin Shinawatra, the two cabinets met at a luxury resort overlooking the South China Sea in Vietnam's central city of Danang.

A second day of meetings will take place Saturday in Thailand's northeastern Nakhon Phanom province.

Both sides stressed that the initiative, the brainchild of Thaksin, was aimed at personalising lukewarm relations between the two Southeast Asian nations following decades of Cold War animosity.

"We would like to increase our relations deep down in every sector by having ministers (meet their) counterparts to have close relations, so they can have close contact," Thaksin told reporters.

"Together we will build the future of the region," he added following his arrival at Danang international airport, where he was greeted by dozens of young flag-waving women dressed in traditional Vietnamese dress.

The two governments signed five agreements, including a pledge to cooperate on measures to tackle Asia's current bird flu outbreak and other public health concerns such as HIV/AIDS and Severe Acute Respiratory Syndrome (SARS).

Both countries have had to defend themselves against accusations of initially covering up their outbreaks of the disease which has claimed 15 lives in Vietnam and seven in Thailand -- the region's largest poultry exporter.

The World Health Organization has also criticised their self-imposed timelines to declare themselves bird flu-free by the end of the month.

Besides the formal joint cabinet session, the two prime ministers also held private talks before visiting the historic World Heritage-listed port town of Hoi An, south of Danang.

During the visit Khai told AFP: "Thailand has already brought bird flu under control and Vietnam has also done it too."

However, Vietnamese Agriculture Minister Le Huy Ngo later appeared to contradict his remarks, telling reporters that the disease would not be fully brought under control until the end of February.

The two Southeast Asian nations also signed memorandums of understanding on education and technical cooperation, as well as a visa exemption protocol.

But both sides trumpeted an "historic" joint declaration that was three years in the making on Thailand-Vietnam cooperation during the first decade of this century as the key outcome of the joint cabinet retreat.

The framework agreement included cooperation pledges ranging from political and security issues to bilateral trade, investment and cultural initiatives.

PHOTO: **EASTLAND INSURANCE**

Eastland Insurance Company Limited Chairman Mahbubur Rahman, centre, Managing Director M Azmal Hoque, 2nd from left, and Executive Director Ghulam Rahman, right, among others, pose for a photograph at the Regional and Branch Managers' Conference of the company held in Dhaka on Wednesday.

Weekly Currency Roundup

February 14-February 19, 2004

Local FX Market

US dollar was steady against Bangladeshi taka throughout the week. Matched demand and supply allowed the dollar to move only in small range against BDT most of the week. The dollar got slightly stronger by the end of the week due to high import demand.

Money Market

Bangladesh Bank borrowed BDT 2,950.00 million by the Treasury bill auction held on Sunday, compared with BDT 5,694.00 million in the previous week's bid. The weighted average yields of t-bill of different tenors were almost unchanged.

The call money eased throughout the week. At the beginning of the week, the call rate remained between 4.00-5.00 percent. It eased through the middle of the week and ended the week steady at 2.50-3.00 percent.

International FX Market

In the beginning of the week, the dollar held on to Friday's sudden gains versus the euro but was still close to record lows on Monday, with trade dominated by nervousness that European authorities might step in to cool down the single currency. The dollar was also trading just above three-year lows versus the yen at 105.47 and above Friday's 11-year lows against sterling. Important economic data are scheduled to be released in next few days.

The euro rose to a fresh record above 1.29 level against dollar by the middle of the week as upbeat US data this week failed to alter investors' bearish view of the greenback and sent it to new multi-year lows against higher yielding currencies. But it failed to hold the gain and fell below 1.29 level later in the day. The Australian dollar rose to a seven-year high above US 0.80 and sterling hit a fresh 11-year peak. Traders were keeping a close eye on the minutes of the Bank of England's February Monetary Policy Committee meeting, due for release at 0930 GMT, for any clue on further rate rises.

The dollar was a touch softer on by the end of the week as scepticism lingered about whether a broad-based rebound a day earlier, which included a two-percent reversal rally from record lows versus euro was sustainable. The dollar staged a strong recovery on the euro, yen and Swiss franc on Wednesday, partly helped by warnings from European politicians about the euro's strength. Suspected intervention from Bank of Japan in early Asian trade on Thursday also served to support the reversal. Euro rose to a record high at $1.2930 on Wednesday. The pound drifted about 2 cents below the previous day's 11-year highs around $1.9140, while the Australian dollar was about a cent below seven-year highs around $0.80.

At 1630 hours on Thursday, euro was at 1.2711/15, GBP was at 1.8922/27, yen was at 106.92/96 against US dollar.

- Standard Chartered Bank

Vietnam Airlines, Air France sign code-share deal

AFP, *Hanoi*

Air France and Vietnam Airlines signed Friday a code-share agreement on flights between Paris and Hanoi and Ho Chi Minh-City.

From March 28, the two companies will jointly offer 11 weekly non-stop round-trip services between France and Vietnam. Each airline will have a quota of seats on all flights. Another weekly flight will be added from June 27, 2004.

"This agreement will mark a great leap forward in the close cooperation between our two airlines, bring benefit for both passengers and the two airlines," said Pham Ngoc Minh, commercial executive vice-president of Vietnam Airlines during a press conference in Hanoi.

Dominique Patry, Air France's vice president for international affairs and alliances, also expressed satisfaction.

"By rationalizing air services between our two countries, this agreement will enable us to provide our customers with optimum services by doubling the number of frequencies and offering only non-stop flights", he said.

The six weekly Vietnam Airlines services will be operated by Boeing 777-200s, while the five Air France flights will be use Airbus A340-300s.