Star BusinesS

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New savings scheme for retired employees

Tk1 lakh investment to see Tk 2,750 return every 3 months

STAR BUSINESS REPORT

Retired employees of government, semi-government and autonomous bodies will be able to receive Tk 2,750 each every three months by investing Tk1 lakh in a new savings scheme.

The government introduced the five-year pensioners' savings certificates on Thursday with a plan to curb interest rate on the existing savings certificates.

The government has reduced the interest rate on savings instruments several times and also closed several savings instruments in its bid to reduce interest burden as well as pave the way for the development of a sound bond market.

Under the new scheme, certificates will be available in four denominated categories --Tk 1 lakh, Tk 2 lakh, Tk 5 lakh and Tk 10 lakh -- bearing 11 percent interest. A pensioner will be allowed to invest a maximum of Tk 20 lakh.

Certificate holders will also be able to encash the instruments with partial interest before the maturity period of five years. In the event of encashment before maturity, a certificate holder will receive 7.5 percent interest in the first year, 8.25 percent in the second year, 9 percent after three years and 9.75 percent after four years.

Any pensioner willing to subscribe to the savings instruments will require a reference letter from his/her previous employer.

National Savings Directorate (NSD) has already distributed the forms among the offices concerned including banks and post offices.

Currently, the government has two lucrative savings instruments-- the 5-year Bangladesh Sanchaya Patra offering 11 percent interest and 3-year Savings Certificate offering 10.50 percent interest every 3 months.

The interest rate on these two savings instruments was reduced in January. Following the move, sale of these instruments was on the decline.

However, the government is contemplating further slashing interest rate in order to turn it into market-based rate from this month in line with a suggestion of the International Monetary Fund (IMF), sources said.

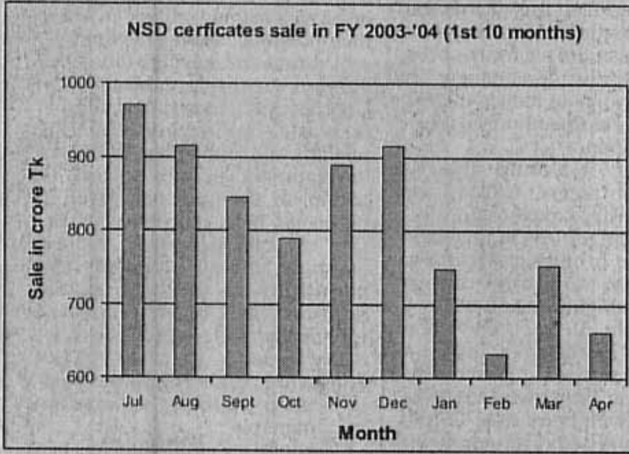
The postal savings now offer 12.5 percent interest rate. The government is also planing to reduce the interest rate by about 2.5 percent, sources said.

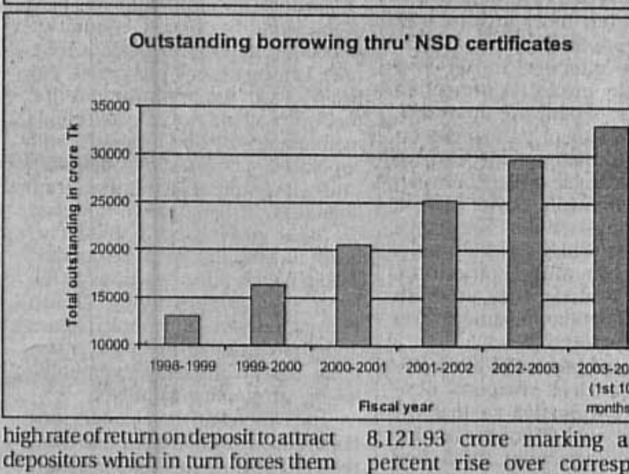
Although the government took these initiatives in line with conditions of Poverty Reduction Growth Facilities (PRGF) loan of IMF, the finance ministry sources however said the move has been initiated to reduce the interest burden of domestic loans.

Government officials said they are still in a dilemma to reduce interest rate on savings instruments as the savings instruments are very popular among general public and at the same time there is a heavy burden on government in paying interest against these instruments.

Another key reason for reducing the interest rate is the very fact that commercial banks are forced to offer high rate of return on deposit to attract depositors which in turn forces them to charge high interest on lending which makes business expensive, the government officials said.

In July-April of the last fiscal year of 2003-2004, the sale volume of the savings certificates stood at Tk 8,121.93 crore marking a three-percent rise over corresponding period of previous year. After April 2004, the total outstanding amount of the savings instruments stood at Tk 33050.28 crore, which was Tk 29582.86 crore in 2002-2003 and Tk 13059.74 crore in 1998-1999.





Desh General Ins declares 15pc stock dividend

Desh General Insurance Company Limited has declared a 15 percent stock dividend for its shareholders on Wednesday.

This was announced at the 4th annual general meeting (AGM) of the company held in Dhaka, says a press release.

Desh General Insurance Chairman Morshed Alam presided over the AGM. Managing Director (current charge) FNM Afzal Ali and Secretary Hasan Khan were also present.

Safko Spinning Mills declares 5pc dividend

Safko Spinning Mills Ltd has declared a 5 percent dividend for its shareholders for the year 2003.

The declaration was made at the 10th annual general meeting (AGM) of the company held on the mill premises at Habiganj on Tuesday, says a press release.

Chairman SABM Humayun and Managing Director Syed Md Qaisar were present at the meeting.

Concerns deepen over strike at KorAm Bank, Citigroup unit

AFP, Seoul

Management and workers hardened their positions Friday in a week-old strike that has crippled US-owned KorAm Bank, South Korea's sixth-largest lender.

CEO Ha Yung-Gu condemned the occupation by workers of the bank's headquarters and said union demands for independent management from new owner Citigroup constituted a breach of management rights.

"The labor union's demands, including KorAm's independent management from Citigroup and opposition to delisting... run counter to the management's rights," Ha said.

Finance and Economy Minister Lee Hun-Jai said Thursday the government could send in police to end the occupation after Ha filed criminal complaints with the authorities.

KorAm workers voted for an indefinite strike last Friday that has shut down nearly 80 percent of KorAm's 225 branches, with about 2,600 of the 3,828 employees joining the walkout.

Workers and management were to resume talks later Friday but prospects for a settlement appeared slim.

US financial giant Citigroup acquired the bank in April in the biggest foreign investment in South Korea's financial sector, but its push to delist from the local bourse by next month has alarmed workers fearing job losses and demanding higher pay.

Workers also oppose plans to fold the bank into the group's existing Citibank in South Korea.

INDIAN BUDGET

Zero excise duty regime for textile on the card

PALLAB BHATTACHARYA, New Delhi

The Indian government is mulling a zero excise duty regime in next week's budget for the country's textile sector to help it go for modernisation and get greater competitive edge in the quota-free international textile trade which comes into effect from next year.

The introduction of zero excise for the sector is expected to help it to brace for the post-multi fibre arrangement (MFA) by attracting more investment, officials and textile industry sources here said yesterday.

The move could also help simplify the complex structure and process of excise duty for the textile sector which has not really helped the vital sector, they said.

The previous BJP-led NDA government did grant excise duty exemption in the last two budgets at various stages of the textile value addition stage but the whole process turned out to be cumbersome and compliance of duty payment was a problem due to administrative reasons, they pointed out.

The Indian textile sector is in urgent need of getting extra cutting edge in view of the pressure of falling prices of products from China before the quota-free regime goes into effect from January 1, 2005, industry sources said.

This was the view with which some Indian textile suppliers to the European and American market returned recently after attending a meeting of buyers and sellers in the United States.

Leading international textile and garment retailers like the Wal Mart and J C Penney are reportedly pressing for a reduction of Indian textile products as the Chinese are bringing down the prices of their products to help build up stock after the quota-free regime is dismantled, industry sources pointed out.

Some top retailers are banking on Indian products as an alternative source as they do not want rely solely on China particularly in view of threats of return of SARS disease which had rocked that country and South East Asia recently. Meanwhile, Indian exporters are looking forward to the coming budget for restoration of the cent percent exemption of corporate tax on export profits. The exemption was abolished in the previous budget.

Commerce and Industry Minister Kamal Nath has taken up with Finance Minister P Chidambaram the exporters' demand for 100 percent tax exemption on export profits in order to improve India's export competitiveness.

The income tax holiday for exporters was first introduced during the rule of Congress government headed by Rajiv Gandhi between 1984 and 1989 which is considered the golden age of Indian exports with exports recording an average rise of 19 percent in dollar terms.

Finance Ministry officials are believed to be assessing the impact of possible restoration of cent percent tax exemption of export profit in the light of the implications of the existing duty-exemption facilities for the exporters.

At present, cent percent export-oriented units and units in special economic zones and software and hardware technology parks enjoy tax holiday under relevant sections of the Income Tax Act and the coming budget is unlikely to tinker with it.

The Finance Ministry is taking a hard look at all duty and tax exemption scheme with the twin yardsticks of assessing their utility in the current scenario as well as commitment to bilateral and multilateral treaties. If that was to happen, zero customs duty rate would continue on many imports because India would not like to dishonor treaties like Information Technology Agreement and zero-for-zero tariff accords to allow duty-free imports.

Exporters have been encouraged by the new Indian government's decision to liberalise the Duty Entitlement Pass Book (DEPB) scheme for them from June this year.

India cannot afford to shun economic reform: Analysts

REUTERS, Bombay

Despite communist influence on the new government, the future of India's economic reforms looks safe in the hands of a progressive cabinet, which will rely on the need for growth to push through investor-friendly measures.

Analysts say Asia's third-largest economy will need more of the sort of radical reforms that pulled it from the brink of bankruptcy 14 years ago if it wants to remain one of the world's fastest-growing economies.

The new communist-backed government sent shockwaves through financial markets within days of taking charge in May by scrapping plans to sell profitable state firms.

The market's nervousness grew more intense following a cut in the foreign investment ceiling for airports and a promise to increase credit to the default-prone farm sector.

Despite this bumpy start, analysts say reforms will continue because of the composition of the cabinet and its focus on economic growth and development.

"It is a dream team as far as talent is concerned, but it has been given a very bad field to play on," said Saumitra Chaudhuri, economic adviser at domestic credit rating agency ICRA Ltd, referring to the diverse opinions of the parliament allies.

Others analysts noted that political compulsion alone would not keep reforms on track anyway. The need to further strengthen the economy, especially in poor rural India, which contributes only 25 percent to the GDP, simply necessitated policies that would lead to more investments and jobs.

The federal budget will be presented in parliament on July 8, when the government is expected to raise the flag for reforms.

A planned value-added tax, for one, would boost government revenue, allowing it to pour money into the social infrastructure of health and education and also attempt to balance the books.

India has one of the world's highest ratios of fiscal deficit to GDP. It was 9.5 percent in the latest fiscal year.

The government has set a goal of annual economic growth of seven to eight percent, and wants to boost health and education spending to as much as nine percent of gross domestic product (GDP) from less than one percent.

Analysts say such objectives will be hard to achieve if the burden is borne entirely by the public sector and that innovative public-private sector partnerships will help solve the problem.

Cotton prices in Pakistan fall

REUTERS, Karachi

Pakistan cotton prices fell in the past week on soft demand and are unlikely to pick up in the coming weeks as textile mills are not interested in the inferior quality stocks available, dealers said Thursday.

Around 500,000 375-lb bales of unsold cotton were available in the market, but most of it was of poor quality.

"The millers are fulfilling their requirements by importing superior quality cotton," said Muhammad Ali, a dealer in the southern port city of Karachi.

He saw little change until the arrival of the new crop in late August.

Pakistan expects to produce 10.72 million bales of cotton in the 2004/05 crop year, against around 10 million in the current season.

The season begins in April and ends in February.

Another dealer said buyers were staying away from the market as low quality cotton did not suit the millers.

Over 1.9 million bales were imported by Pakistan in the 2003/04 fiscal year (July-June), and mills had already started booking orders for imports of good quality cotton for next season, dealers said.

One trader said a shortfall of 2.5 to 3.0 million bales was expected next year.

Key cotton crop varieties were quoted in a range of 2,700 to 2,900 rupees per maund (40 kg).

The Karachi Cotton Association fixed the official spot rate, or base price, for Grade 3 cotton at 3,135 rupees per maund.

Australia set to discuss free trade pact with Malaysia

AFP, Sydney

Australia and Malaysia are close to launching talks on a free trade agreement in another sign of rapidly thawing relations between the two countries, officials said Friday.

The Malaysian cabinet is expected to consider soon a report by senior government officials on the benefits of such a pact with Australia, trade ministry officials in Canberra told AFP.

The development is the latest demonstration of a dramatic improvement in the icy relationship that existed between the two since Malaysia's former prime minister, Mahathir Mohamad, was succeeded last year by Abdullah Ahmad Badawi.

Australia already has a free trade agreement with neighbouring Singapore and Prime Minister John Howard's government is also due to conclude a similar pact with Thailand during a visit to Canberra by Thai Prime Minister Thaksin Shinawatra next week.

Canberra has negotiated a free trade agreement with the United States for which it is hoping to win legislative approval in both countries ahead of their elections this year. It has also begun a joint scoping study on a free trade agreement with China.

But Mahathir, whose long-standing enmity towards successive Australian leaders was well known, had for years been a major obstacle to efforts by Canberra to forge closer economic links either with Malaysia or with the Association of South East Asian Nations (ASEAN) group.

Prospect of talks on a free-trade pact between Canberra and Kuala Lumpur, unthinkable until a few months ago, would provide a major boost to a push by Australia for a regional trade deal.

Trade Minister Mark Vaile is hoping for a positive announcement about a start to talks with Malaysia when its high profile trade minister Rafidah Aziz visits Australia later this month.

"I will be discussing this issue as part of the appropriate discussions we will be having with Malaysia at the upcoming annual Australia-Malaysia joint trade committee meeting in late July," Vaile told AFP through a spokeswoman.

News of the proposal emerged this week from a meeting of regional foreign ministers in Jakarta which invited Howard and his New Zealand counterpart Helen Clark to the annual ASEAN leaders' summit in Laos in November.

Australia and neighbouring New Zealand, with which it has also shares a longstanding free trade arrangement, will attend the summit aimed at starting talks on a region-wide trade pact with the 10-member ASEAN.

Mahathir had previously blocked Australian attempts to participate in the summit, which is crucial to efforts to build a regional group that would link ASEAN to China, Japan and South Korea.

But Malaysia's Deputy Prime Minister Najib Abdul Razak said recently that his country was ready to consider a free trade agreement with Australia and Foreign Minister Alexander Downer discussed the possibility with officials in Kuala Lumpur last month.

Two-way trade between the two countries was about 6.4 billion dollars (4.5 billion US) at the last count, although it is heavily tilted in favour of Malaysia, which enjoys a large surplus.

White House downplays bad news on jobless front

AFP, Washington

The White House on Friday downplayed the importance of discouraging employment figures in June, stressing instead that the US economy has created 1.5 million new jobs since last August.

US employers hired 112,000 additional workers in June, fewer than half the number predicted, government data showed Friday. The unemployment rate was stuck at 5.6 percent, unchanged from May.

"You want to look back over the trend over the past year. The president is optimistic about the direction our economy is headed because of the policies we have put in place," White House spokesman Scott McClellan said.

"Our economy is strong and continues to grow stronger," McClellan added. "But the president believes there is more to do to create an even better environment for job creation."

Economists had forecast a gain of 250,000 jobs in June following a three-month explosion in which employers took on 912,000 extra workers, including 235,000 in May.

The result called into question the strength of the labor market just two days after Federal Reserve policymakers raised short-term interest rates by a quarter point, tightening for the first time in four years.

PHOTO: DESH GENERAL INSURANCE

Desh General Insurance Chairman Morshed Alam along with shareholders pose for photographs at the company's 4th annual general meeting (AGM) in Dhaka on Wednesday.

Nissan promises major expansion in Thailand

AFP, Bangkok

Japanese carmaker Nissan said Friday it will invest more than 10 billion baht (245 million dollars) in Thailand over the next five years in a bid to tap into Asia's booming auto market.

Nissan Motor Co. president Carlos Ghosn said the number of employees at Siam Nissan Automobile Co. was expected to double by 2008 from about 2,000 at present as the company tries to establish Thailand as a strong exporting base.

"This is a balanced production base and we think all the free trade agreements signed by Thailand... are extremely helpful," Ghosn told reporters, adding the country's business climate was the prime reason for the investment.

"Thailand in respect to the car industry has respect for intellectual property rights, something we are struggling with in China," he said.

Ghosn said the move consolidated Thailand's position as Nissan's third largest production base in Asia, but said operations in Japan and China would not be downsized as a consequence.

Annual production capacity at Siam Nissan's manufacturing plant east of Bangkok would rise to 200,000 vehicles by 2008 from the current level of 130,000, according to the firm's business plan revealed Friday.

Production at the company's engine making plant was also slated to increase to 250,000 units a year from 42,000, the company said. It plans to introduce 10 new models to the Thai market by 2008.

"We plan to transform Siam Nissan into a global production base for exports of our next generation pickup trucks to global markets including the ASEAN (Association of Southeast Asian Nations) region," said Nissan vice president Toshiyuki Shiga.

"By 2008, we expect total industry volume in Thailand, Malaysia, Indonesia and the Philippines to grow more than 1.8 million units, about 30 percent higher compared with last year," he said.

Siam Nissan, the manufacturer and distributor of Nissan vehicles in Thailand, sold nearly 44,000 vehicles in the kingdom last year, representing a market share of 8.2 percent.

Nissan in April signed deals to take majority stakes in Siam Nissan and Siam Motors and Nissan Co., the company in charge of assembly, to give the company management control of Thai operations.

Ghosn, who will also take over the reins at Renault in 2005, which is 13.5 percent owned by Nissan, hinted the French company may also make a move to Thailand.

"It's possible for Renault... every time we move into a market it's obvious that our move is a platform for our partner but we don't decide for them," said Ghosn.

S'pore, KL sign agreement to promote joint ventures

AFP, Singapore

Singapore and Malaysia signed an agreement here Friday that will help their business people organise joint investment promotions in third countries in another sign of improving bilateral ties.

The first joint mission will be in Indonesia on August 22-24, Singapore Trade Minister George Yeo said.

Yeo and his Malaysian counterpart, Rafidah Aziz, signed the Agreement on the Malaysia-Singapore Business Development Fund (MSBF).

The agreement establishes a fund totalling 10 million ringgit (2.6 million dollars) which will be used to help Malaysian and Singapore companies carry out feasibility studies and organise joint missions.

During the mission to Indonesia, the Malaysian and Singaporean business leaders will meet with Indonesian trade officials and network with their counterparts there.

"We hope to see more such increased joint missions to third countries over the next few months," Yeo said in a speech to a seminar here held to promote cooperation between the business communities of the two countries.

"Malaysian and Singapore businesses should actively combine their strengths to become more competitive globally," he said, citing vast opportunities in Southeast Asia, China and India.

The signing of the agreement is another sign of improving ties since Prime Minister Abdullah Badawi was elected in March.

Abdullah succeeded Mahathir Mohamad, whose outspoken comments on several unresolved bilateral issues such as the price of raw water Malaysia sells to Singapore had soured relations.

Yeo noted in his speech that "there is a strong political will to improve bilateral relations" on both sides, and that "the economic relationship between Malaysia and Singapore should become stronger in the coming years."

New Product

Walton wristwatch

RB Group of Companies has introduced Walton brand wristwatch in Bangladesh market.

The watch is available in two designs with one year warranty for males and females.

RB Group will also introduce other products of Walton Corporation, says a press release.