Star BUSINESS

DHAKA FRIDAY AUGUST 27, 2004 E-mail: dsbusins@gononet.com

Ministry opposes BoI nod to 16 sugar refineries

Fears market saturation with 18 lakh tonne surplus

STAR BUSINESS REPORT

Fearing a market saturation with over production, the Ministry of Industries has opposed the registration of 16 private sugar refineries with the Board of Investment (BoI).

The ministry advised the BoI to give permission to maximum three sugar refineries initially, each having an annual production capacity of one lakh tonne.

The ministry officials think if all the 16 refineries produce in full capacity, the total sugar production will be more than three times the domestic demand.

The newly registered private sector refineries will produce sugar from imported "raw sugar" which is cheaper than refined sugar.

According to Bangladesh Sugar and Food Industries Corporation (BSFIC), the present domestic demand for sugar is 7 lakh to 8 lakh tonne while the 14 state-owned mills produce hardly 1.5 lakh to 2 lakh tonne a year.

Industries ministry officials at a recent meeting criticised the registration of so many companies and said the state-owned mills along with the private refineries would produce more than 26 lakh tonne creating a surplus of 18 lakh tonne.

The over production will create problem in sugar marketing, a top official of BSFIC told the meeting also attended by BoI officials.

A director of BSFIC said it would not be profitable to export refined sugar as the international price of sugar is comparably lower.

The meeting recommended permitting maximum three refineries to start production and involving industries ministry in the registration process.

The BoI should fix a deadline for the companies to start production and their registration may be cancelled if they fail to meet the deadline, the meeting suggested.

At the same time, the meeting observed, BoI should take steps to protect the investors and prevent any further 'unprofitable investment' in the sector.

Sugar refinery is a prospective industry that can boost economy by creating employment and raising revenue but the infant industry needs proper guidance and balanced action from the government, the meeting was told.

The BoI granted permission to the 16 refineries aiming to meet the huge deficit of sugar and reduce import. The country has to import about 4 lakh tonne sugar annually while the rest of the demand is met by smuggled sugar.

No surcharge on remittance sent thru' banks

BSS, *Dhaka*

The government has not imposed any flood surcharge on remittances being sent through banking channels and it has no plan to do so in future.

According to an official handout issued here yesterday, a vested quarter is spreading rumour in Saudi Arabia that the government has imposed 10 percent flood surcharge or charge on the remittances being sent by the Bangladeshis working in the Middle East.

"The government continues its service in reaching the remitted money to the relatives of the non-resident Bangladeshis (NRBs) within 24 hours in urban areas and within three days in rural areas," it said.

"The incentives provided to the NRBs for sending remittances through banking channels will continue," the handout said adding, "sending remittances through banking channels is always safe, profitable and simple."

It said the foreign currency sent by the NRBs through the banking channels was largely contributing to the country's economic growth. "A group of people involved in 'hundi' business and money laundering are spreading this rumour among the NRBs," it said.

The government suggested the Bangladeshis working abroad including Saudi Arabia and other Middle Eastern countries not to be misled by this rumour and urged them to continue their efforts for the development of the county's economy.

DSE automated trading engine to be upgraded

Move to facilitate 100,000 deals a day

STAR BUSINESS REPORT

The Dhaka Stock Exchange (DSE) is planning to upgrade its automated trading system, a move officials hope will further streamline stock trading in the secondary market.

The upgrading will enhance DSE's trade capacity from existing 15,000 deals a day to up to 100,000 with initial capacity of 50,000 deals a day by increasing the number of workstations to as high as 3,000 from present 650.

Unveiling the plan, DSE President Ahmed Iqbal Hassan said: "The improved system will provide more flexibility to brokers and traders complementing trade settlement through the central depository system."

The plan is part of DSE's constant move to provide its members with state-of-the-art technologies used by the stock exchanges in the developed countries, a DSE press release quoted him as saying yesterday.

The present automated trading system of the country's premier bourse uses both local area network (LAN) and wide area network (WAN). The main server has 140 connecting nodes for as many brokers linking 600 PCs through LAN. For off-campus brokers, the server has 35 nodes to connect 100 PCs through WAN.

The upgrading will facilitate online real-time data generation providing a perfect platform for interfacing internet trading from remote areas, DSE said.

The new system will also include risk management and surveillance software, enabling the surveillance departments to keep an online vigil during off-trading hours.

DSE Chief Executive Officer Salahuddin Ahmed Khan said the stock market is showing signs of recovery and maturity and the number of deals are picking up everyday, which necessitated upgrading of the trading engine.

"With the volume of trade shooting up everyday, we have to enhance our capacity to cope with future needs, otherwise it will slow down the system disrupting normal trade."

Salahuddin said, "Our mission is to provide the best platform for nationwide trading by connecting all the cities in Bangladesh."

"We are also planning to implement internet-based trading to rope in expatriate Bangladeshis," the CEO said.

Salahuddin said the enhanced system will facilitate greater number of branch offices for trading from within and outside of Dhaka city.

The DSE introduced automated trading system in August 10, 1998 adopting mainframe server -- TANDEM NonStop Platform -- from Tandem Computers Inc of the US, which is now merged with Hewlett-Packard (HP).

Indian company Indigo Technologies, now SSIT, supplied Tandem Electronic Security Architecture (TESA) application software for executing daily trade at $1.7 million.

According to the previous agreement signed between DSE and Tandem Computers in January 16, 1997, the US company was to provide free maintenance service for one year and two months from the installation date.

DSE later extended the maintenance deal for another five-year, which is set to expire on October 31 this year.

The DSE has formed an upgradation and replacement committee incorporating experts from Bangladesh University of Engineering and Technology and Shahjalal University of Science and Technology, Sylhet for adopting modern technology.

In line with the committee's recommendation, DSE sought an offer from HP. If the offer suits DSE requirements, the bourse may soon employ HP to upgrade the system.

CSE training on tax management begins

A weeklong professional training course on tax management began yesterday at the Chittagong Stock Exchange (CSE) conference hall.

Syed Mahmudul Huq, vice-president of CSE, inaugurated the course, which was moderated by its CEO Wali-ul-Maroof Matin. Among others, Ali Ahmed, commissioner of tax zone-2, spoke at the inaugural session, says a press release.

Ali Ahmed said tax-GDP ratio is very low in Bangladesh and both tax administration and taxpayers are responsible for this. "To improve the situation many changes are made in the tax policy but very little progress has been achieved."

Syed Mahmudul Huq said the government policy of tax collection should be convenient to the taxpayers. "The system has many loopholes and for bridging this gap we need proper awareness of tax management," he added.

M Iqbal Hossain, deputy commissioner of taxes, also spoke.

Dhaka hosts int'l plastic fair in October

Bid to offset oil price impact on plastic industry

STAR BUSINESS REPORT

As plastic industry is grappling with high price of raw materials, mostly petroleum by-products, local manufacturers will try to expand market when they organise a four-day international plastic fair in Dhaka from October 5.

Bangladesh Plastic Goods Manufacturers and Exporters Association (BPGMEA) will organise the show at Bangladesh-China Friendship Conference Centre.

Over the past few weeks, the plastic industry in Bangladesh has been facing the adverse impact of soaring prices of oil and petrochemicals in the international market. Petrochemicals are widely used as raw materials for producing plastic products.

The prices of raw materials have increased by about 30 percent, KM Iqbal Hossain, general secretary of BPGMEA said. According to him, the price of a 25-kg bag of raw materials costing Tk 2,000 has shot up by Tk 600 over the last few weeks.

"As a result, the manufacturers are facing a tough time to keep prices of plastic products under control," the BPGMEA general secretary told The Daily Star yesterday.

Organisers hope the international plastic fair will provide a perfect launch pad for marketing products abroad and help the local manufacturers increase export to make up for their losses incurred from high raw material prices.

The fair will provide a meeting ground for plastic goods buyers and sellers from home and abroad to interact and make business deals. The manufacturers will showcase a wide range of products in the exhibition to attract buyers.

Plastic product manufacturers from India, Singapore, China and Taiwan are expected to participate in the show along with the hosts, Iqbal said.

The BPGMEA secretary said Bangladesh earned Tk 800 crore in foreign exchange in the last fiscal year from this sector through direct and indirect export.

Bangladesh presently exports shopping bags, overhead water tanks and toys to European countries, USA, New Zealand and Canada, he said.

Plastic furniture, water tanks, garment accessories and packaging items, crockery, household items, sanitary fittings, spare parts of textile and jute mills and toys will be displayed at 125 stalls in the exposition.

The fair will remain open to visitors from 10am to 9pm everyday till October 8. Visitors will be charged Tk 10 as entry fee.

Bangladesh has some 3,000 small, medium and large plastic goods companies creating direct and indirect employment to around 8 to 10 lakh workers.

Date show from Sept 5

UNB, *Dhaka*

A two-day exhibition of Pakistani dates, organised by Pakistan Export Promotion Bureau, will begin at Sheraton Hotel here on September 5.

The aim of the exhibition is to popularise Pakistani dates ahead of Ramadan. Seventeen date export organisations of Pakistan will take part in the two-day exhibition.

Pakistan is among the five major date-producing countries in the world and its annual production is over 6 lakh tons.

The exhibition will remain open to all from 11am to 8pm everyday.

PHOTO: DHL

Desmond Quiah, county manager of DHL Worldwide Express, Bangladesh, and MA Muhith, deputy managing director of Southeast Bank Limited, shake hands after signing an agreement in Dhaka. Under the deal, DHL has become the exclusive air express service provider of Southeast Bank. Senior officials of both the organisations were present.

Indian parliament passes budget

AFP, *New Delhi*

India's parliament passed the annual budget Thursday as opposition lawmakers boycotted the vote, accusing the country's premier of insulting them after they refused to debate the spending bill.

Opposition benches were empty as lawmakers approved the 4.8 billion rupee (104 billion dollar) budget for the year to March 2005.

"It's not a happy occasion that the finance bill and demands for grants have been voted without any discussion," said Speaker Somnath Chatterjee after the opposition stayed away from parliament's 545-seat lower house.

The Indian media has called the failure of lawmakers in the world's biggest democracy to debate the important spending document a travesty.

This week, Prime Minister Manmohan Singh, who has made a commitment to improving governance, lamented the "turmoil" in India's parliament, plagued by frequent disruptions.

The budget has earmarked massive sums to be spent on alleviating the plight of India's poor who make up over a quarter of the nation's population of more than a billion people.

The opposition National Democratic Alliance led by the Hindu nationalist Bharatiya Janata Party (BJP) refused to vote, saying Singh had snubbed its leaders when he would not listen to their budget proposals at a private meeting Wednesday.

The opposition which paralysed parliament for weeks and refused to take part in any discussion of the budget demanded a "public apology" from the 71-year-old premier for the alleged insult.

Former defence minister George Fernandes, who went to call on Singh, said the prime minister's behavior had been "regrettably uncivilised, impolite and discourteous" and "we were out of his room in two-and-a-half minutes".

He accused Singh of throwing the opposition's proposals down on a table.

But a spokesman for the technocrat-turned-premier denied the opposition's allegations Singh, known for his gentlemanly comportment, had been rude.

India's outsourcing industry faces challenge

AFP, *Bombay*

Emerging nations in Southeast Asia and central Europe could eat up 45 percent of India's share of the booming outsourcing market as the sector failed to draft a longterm strategy to stay ahead, a top global IT consultancy says.

Offshore business process outsourcing (BPO) earned India an estimated 2.3 billion dollars in 2003, representing a more than 80 percent share of the global market, according to US-based Gartner.

"We're saying India would stand to lose 45 percent of that 80 percent share by 2007. India will have a 55 percent market share while other countries will have about 45 percent," Gartner research director Sujoy Chohan said.

The government and the industry had "suffered from the erroneous belief" the sector could match booming growth of its software and other mainstream information technology activities without devising a longterm roadmap to do so, he said.

"India as a nation has been complacent," he told AFP in an interview earlier this week.

Revenues at India's outsourcing firms, which provide such services as call centres, insurance processing and credit card billing, have rocketed in recent years.

US and other firms have made a beeline for India, drawn by its vast educated English-speaking workforce and labour costs much lower than in the West.

But what India has failed to realise is that outsourcing "can be delivered by any graduate without the technical skills needed for information technology," Chohan said.

"A lot of emerging countries have English-speaking graduates."

Unlike other emerging nations such as Thailand, Malaysia, Fiji, Mauritius, the Czech Republic, Poland and South Africa, India has failed to draft a longterm plan to train workers for the industry.

"Philippines has put into place a strategic roadmap for attracting foreign direct investment in business process outsourcing. Does India have one? It needs a long-term strategy like that," he said.

Chohan said the Indian government needed to ensure schools and colleges offered skills that would allow them to be employed in the outsourcing industry, while other smaller countries were taking huge strides.

He said New Delhi needed to sit down with outsourcing corporate leaders to identify specific skills required for the industry and design curriculums accordingly.

Singapore July factory output up 19pc

AFP, *Singapore*

Singapore's industrial production in July rose 19 percent from a year ago on solid contributions from the electronics sector and transport engineering, the government said Thursday.

Last month's industrial scorecard was within market forecast for a 17.0-21.5 percent increase and little changed from the 19.2 percent jump in output recorded in June.

Electronics, the backbone of Singapore's manufacturing activity, posted the biggest production rise of 30.9 percent in July, the Economic Development Board (EDB) said.

This was followed by transport engineering which grew 28.9 percent; bio-medicals 20.9 percent; precision engineering 13.6 percent; chemicals 4.0 percent and general manufacturing industries 1.0 percent.

India may dig into forex reserves to curb inflation

REUTERS, *Bombay*

India's central bank is likely to dig deeper into its war chest of foreign exchange reserves to bolster the rupee as it tries to contain inflationary pressure and cushion the economy from high crude oil prices.

In contrast to the 1991 oil shock, when India's reserves were practically non-existent, it can now draw upon Asia's sixth-largest holdings to help counteract record prices of oil, its biggest import.

Analysts said the central bank was unlikely to let the partially convertible rupee weaken past 46.50 per dollar, a near 13-month low struck on July 30, when dealers cited aggressive dollar-selling intervention.

With oil prices still within sight of $50 a barrel, India's already expanding trade deficit is at risk of widening further. Officials say the crude import bill could jump to $27 billion in the financial year to March 2005 from $20 billion a year before.

That in turn would weigh on the rupee, and weaker local currency would fuel inflationary pressures by making imports costlier.

Wholesale price inflation hit a three-and-a-half-year high of 7.96 percent in the year to Aug. 7. And a nationwide truck strike, already into its sixth day, could worsen the outlook by driving up food prices and supply costs for factories.

Authorities are not likely to raise interest rates from 30-year lows or tighten money supply for fear of choking off demand in the farm-dependent economy, already grappling with an erratic monsoon.

A $10 per barrel rise in crude can shave 1 percent off gross domestic product, Kotak Mahindra Bank said in a recent report. When oil prices flared up in 1991, India's forex holdings covered only a few weeks of imports. It pledge its gold reserves to extricate itself from a balance of payments crisis that marked the start of an economic reform drive.

Foreign reserves hit a record $121.1 billion in mid-July. As the central bank has been supporting the shaky rupee, reserves shrunk to $119.32 billion as of Aug. 13, still enough to cover nearly 17 months of imports.

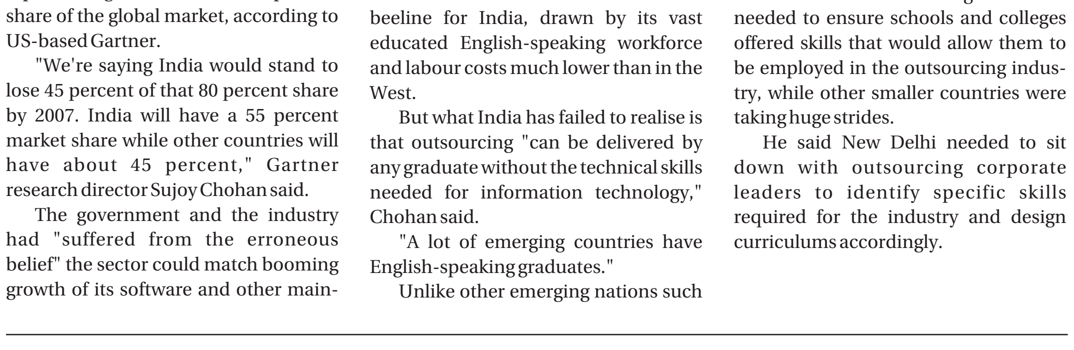

PHOTO: GREY WORLDWIDE

Syed Manzur Elahi, chairman of Apex Footware Limited, cuts tape to inaugurate the 36th 'Gallery Apex' showroom of the company at UAE Friendship Complex at Banani in Dhaka recently. Directors and senior officials of the company were present.

US jobless claims rise

AFP, *Washington*

The queue of people filing new claims for jobless benefits grew last week, hurt by damage to businesses caused by Hurricane Charley, a US government report showed Thursday.

The number of new claimants for unemployment benefits rose 10,000 to a seasonally adjusted 343,000 in the week ended August 21, after dipping 1,000 the previous week, the Labor Department said.

Charley, which killed 20 and shuttered many businesses in Florida and neighboring states August 13 and 14, caused about half of the gain in unemployment claims, a government official said.

A four-week average of new jobless benefit claims, which smoothes out weekly distortions, dropped 750 to 336,750.

China's booming economy yet to get soft landing: IMF

REUTERS, *Washington*

A soft landing for China's booming economy is not yet assured, the International Monetary Fund said yesterday, despite measures by Beijing to curb credit and slow investment in overheated sectors.

"A crucial short-term concern is that despite the recent indications of moderation in the fast pace of investment and economic growth, a soft landing of the economy is not yet assured," the IMF said in its annual review of the Chinese economy.

The Washington-based global lender said China had skillfully tried to manage its economy, which had cut the risk of overheating.

Yet economic data was mixed and it was not entirely clear how much credit growth had slowed, Steven Dunaway, the IMF's mission chief for China, told reporters on a conference call.

He said experience elsewhere showed that administrative measure, such as those applied by the Chinese, had a tendency to dissipate over time either because they were relaxed or people found ways around them.

"So, our concern is more focused on excess liquidity in the banking system and if the administrative controls become less effective, credit growth could take off again," he said.

He also said the fund had trouble interpreting Chinese data because of write-downs on bad loans from banks.

Dunaway stressed, however, it would be a mistake at this point for China to relax controls on investment and credit "until they've done the job they were intended to do".

Still, the IMF raised its forecast for China's economic growth this year to 9 percent, up from 8.5 percent it forecast in April. Economic activity should reach a more "sustainable pace" at 7.5 percent next year, it said.

The IMF also said it had not found evidence that the Chinese yuan, whose value is pegged to the US dollar, was undervalued. US manufacturers complain that the peg gives Chinese products an unfair price advantage in global markets.