Star
BUSINESS

DHAKA SATURDAY SEPTEMBER 11, 2004 E-mail: dsbusins@gononet.com

Govt plans to revise air services deals with four Saarc states

Bid to boost regional air-links, allow operations of more private carriers

M ABDUR RAHIM

The government plans to revise air services agreements (ASAs) with India, Nepal, Sri Lanka and the Maldives to boost air-links in Saarc region and allow operations of more private airlines, official sources said.

The planned amendment to the ASAs, signed in early 1970s, is aimed at allowing airlines to fly to more points, increasing flight frequencies and paving way for more private carriers to spread their wings across the border.

Sources said the Civil Aviation Authority of Bangladesh (Caab) may talk the issue with its Sri Lankan and Indian counterparts late this month and next month.

Caab also sought time for consultative meeting with its counterparts from Nepal and the Maldives. And the meetings are likely to take place late this year.

Now in the Saarc (South Asian Association for Regional Cooperation) region, Bangladesh does not have direct air-links with Sri Lanka and the Maldives. The government recently allowed local private carrier GMG Airlines, which on Wednesday made its international debut through Chittagong-Kolkata flight, to fly to those two Saarc countries.

GMG will go to Colombo via Chennai but the present ASA with India does not permit a Bangladeshi carrier to land in Chennai. GMG has also been allowed to fly to Male via Colombo and to do so Bangladesh's ASA with the Maldives needs to be revised for the local private airline's entry.

Talking to newsmen on board a Chittagong-Dhaka flight recently, State Minister for Civil Aviation and Tourism Mir Mohammad Nasiruddin said the government wants to strengthen air-links with all Saarc states to facilitate trade and tourism.

"We will allow more local private airlines to fly to overseas destinations and foreign airlines to fly to Bangladesh with emphasis to strengthen intra-Saarc air-links. In the age of globalisation, we must follow open sky policy," he said. He said air services agreement will be amended to maintain the open sky policy.

Present ASA with India allows one or more Bangladeshi airlines to operate 30 flights a week. People in the aviation sector think the frequency rate is very low. The government may seek 100 or more flights, besides permission to fly to any Indian points in the meeting, the Caab sources said.

The ASA with Nepal permits Bangladeshi airlines to operate seven flights a week and carry maximum 40,000 passengers a year. As Biman currently utilises the full-quota in flight frequencies, the ASA needs to be revised to allow second Bangladeshi airline to operate in the Himalayan kingdom.

The ASA with Sri Lanka allows Bangladeshi carriers to operate three flights a week. Business cannot be profitable with only three flights a week, said private operators.

ASA between India and Sri Lanka allows their airlines to operate 120 flights a week.

Ship-breaking industry runs aground

Rising prices of old vessels, falling domestic demand for scraps plague business

NURUL ALAM, *Chittagong*

The ship-breaking industry has run into trouble, thanks to price hike of abandoned ships in international market and falling demand for scraps in domestic market following the devastating floods that have caused disruption to construction sector.

Chittagong-based ship-breaking industry, which has been witnessing rising prices of old vessels in the international market for the last one year, now faces ruin with the drastic fall in sale of ship scraps, businesspeople said.

"Decrease in construction works and closure of re-rolling mills in the flood affected areas in the country caused a dull market for scraps," said Monsur Ali, assistant secretary of Bangladesh Ship Breakers Association (BSBA).

"In the yards of the 32 ship-breaking units at Sitakundu over seven lakh tons of ship scraps remained stockpiled as the sale dropped drastically as a fallout of floods, political unrest after grenade attacks on an Awami League rally and high prices of old vessels in the global market," Ali said.

Old vessels are now selling at $400 per ton in the international market against $200 only a year ago. So, ship-breakers are less interested to buy old vessels at high prices amid falling domestic demand, he said.

According to BSBA, in the last fiscal year, old vessels imported here for scrapping stood at about 12 lakh tons down from 17 lakh tons two years back.

Giving an account of current situation, he said scraps in the form of plates are now being sold at Tk 28,000 per ton in local market as against its production cost of about Tk 30,000. Normal scraps are selling at Tk 22,000 per ton while its production cost is about Tk 24,000.

"Due to price hike in the world market and decreasing local demand we do not feel encouraged to import big size ships for scrapping as we did earlier," said Abu Alam, a ship-breaker.

Anam Chowdhury, a beaching captain, said, " I pass mostly idle time now because there is no vessels for beaching at the yards as the industry suddenly faces lull with the fall in sale of scraps."

The labour-intensive ship-breaking industry, providing 90 percent raw materials to re-rolling mills, started in 1960 in Bangladesh when a foreign ship ran aground at Sitakundu coast following a cyclone and the crew put it up for auction after failing to re-float.

Pubali Bank, Oman co sign remittance deal

Pubali Bank Limited has signed an agreement with Oman International Exchange (OIE) on channelling remittance.

Under the deal, the Bangladeshi expatriates working in Oman will be able to remit their earnings safely and quickly to their relatives in Bangladesh through official channels, says a press release.

Syed Mohammad Masum, deputy general manager of Pubali Bank, and Habib A Macki, vice-chairman of OIE, signed the agreement on behalf of their organisations recently in Dhaka.

Khondkar Ibrahim Khaled, managing director of Pubali Bank, Helal Ahmed Chowdhury, deputy managing director of the bank, and M Shahed Shah, general manager of OIE, were also present.

PHOTO: BANK ASIA

Bank Asia President and Managing Director Syed Anisul Huq, The City Bank Ltd Managing Director Abbas Uddin Ahmed, Janata Bank Deputy Managing Director Dewan Mujibur Rahman, Agrani Bank Deputy Managing Director KM Asaduzzaman and Karim Spinning Mills Ltd Chairman and Managing Director Abdul Hai Sarker sign an agreement on behalf of their organisations on Sunday in Dhaka for a syndicated term loan facility of Tk 252 million to Karim Spinning Mills.

Bank Asia arranges Tk252m loan for Karim Spinning Mills

Bank Asia Limited has raised Tk 252 million syndicated loan facility for Karim Spinning Mills Limited, a concern of Purbani Group.

Other participating banks of the syndicated facility are The City Bank Limited, Janata Bank and Agrani Bank, says a press release.

An agreement to this effect was signed between Karim Spinning Mills and the participating banks of the facility at a hotel in Dhaka on Sunday.

Chairman and Managing Director of Karim Spinning Mills Abdul Hai Sarker, Bank Asia President and Managing Director Syed Anisul Huq, The City Bank Ltd Managing Director Abbas Uddin Ahmed, Janata Bank Deputy Managing Director Dewan Mujibur Rahman and Agrani Bank Deputy Managing Director KM Asaduzzaman signed the agreement on behalf of their organisations.

Erfanuddin Ahmed, SEVP (Operations), Bank Asia was also present.

The fund will be used for expansion project to double capacity of the spinning mill.

Oil prices rise

AFP, *London*

World crude prices rose Friday, supported by concerns over Hurricane Ivan's potential impact on Gulf of Mexico oil operations and disappointing US inventory data, analysts said.

The price of benchmark Brent North Sea crude oil for delivery in October climbed eight cents to 42.30 dollars per barrel in early trading in London.

Brent had soared by 1.83 dollars to close at 42.22 dollars on Thursday.

New York's reference contract, light sweet crude for October delivery, won 20 cents to 44.81 dollars per barrel in pre-opening electronic deals, having risen 1.84 dollars the previous day.

China removes anti-dumping tariffs on steel imports

AFP, *Beijing*

China has removed its anti-dumping measures against cold-rolled steel coil imports from South Korea, Russia, Ukraine, Kazakhstan and Taiwan, the Ministry of Commerce said Friday.

The ministry said the move, which takes effect immediately, was necessary because China's cold-rolled steel was in short supply. Domestic producers have complained of rising prices due to the tariffs.

The statement did not say whether it might reverse its stance if the supply situation changed.

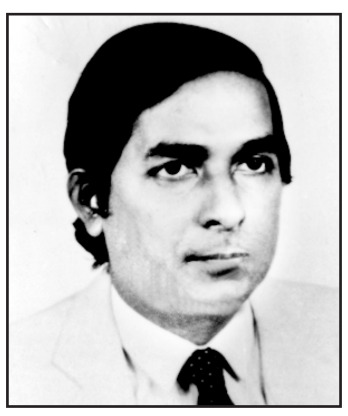
"This is the first time China has stopped such anti-dumping duties because of changes in the supply and demand relationship in domestic and international markets," it said.

The ministry also halted its import certification requirement on cold-rolled steel used to produce tin plate from the same countries.

Cold-rolled steel is used to produce auto and machine components, elevators, bicycles and home appliances.

China imposed tariffs on January 14 this year after investigations started in March 2002. The ministry started reviewing the tariffs in May.

New MD of Basic Bank



AH Ekbal Hossain has been promoted to the position of managing director of Bangladesh Small Industries and Commerce Bank Limited (Basic Bank).

Prior to this new assignment, he was serving as the managing director (current charge) of Basic Bank, says a press release.

Hossain started his career as he joined then United Bank Limited (presently Janata Bank) in 1968.

Malaysia sets highest growth target in 4 years

AFP, *Kuala Lumpur*

Malaysia on Friday set a new growth target of 7.0 percent for 2004, the highest in four years, after a stronger-than-expected first half, although this pace will then slow to 6.0 percent for 2005.

The finance ministry in its annual economic report also projected an overall deficit in the 2005 budget of 3.8 percent of gross domestic product (GDP), down from 4.5 percent this year as development expenditure is cut by 9.0 percent.

The 7.0 percent growth target surpasses the initial official estimates for 2004 of 6.0-6.5 percent and is within market expectations, economists said.

Despite higher global oil prices, rising interest rates and a tighter fiscal policy stance, Prime Minister Abdullah Ahmad Badawi said growth would remain strong after 7.8 percent in the first half and 5.3 percent in 2003.

India wants to crush inflation

AFP, *New Delhi*

India wants to crush inflation, now at 42-month highs, but policymakers are in no rush to raise interest rates, fearful of stifling the growth of Asia's fourth-largest economy, analysts say.

Inflation has nearly doubled since late April just before the Communist-backed Congress party took power to hit 8.33 percent according to official data released Friday, its highest level in three-and-one-half years.

"This (inflation) is probably the most serious economic challenge the government is facing since assuming office," T.K. Bhaumik, economic advisor to the Confederation of Indian Industry, said.

Prime Minister Manmohan Singh won renown as the man who overhauled the nation's creaking economy in the early 1990s and Finance Minister P. Chidambaram has a reputation of being a canny financial manager.

But analysts say the so-called "dream team" may have a tricky job clamping down on inflation. "They are going to have to do some delicate balancing," said Institute of Economic Growth director B.B. Bhattacharya.

The government is keen to avoid hurting growth after riding to power on a pledge to spread prosperity to India's poor.

At the same time, mindful that cost rises can be political dynamite, Singh has sought to reassure Indians about his government's commitment to cutting inflation, saying "price stability is one of the highest priorities."

Many pensioners and others depend on fixed-income securities and bank savings rates whose returns are below inflation. In 1998, surging prices of onions, an Indian cooking staple, contributed to the Hindu nationalist Bharatiya Janata Party being turfed from office in the state of Delhi.

Economists point to a host of culprits for rising inflation, including food shortages created by erratic monsoon rains that have driven up grocery bills, high global oil prices and a falling currency that has raised import costs.

Chidambaram has already slashed petroleum duties to blunt the impact of oil prices in India which imports 70 percent of its crude needs. He also cut steel duties which have been rising in line with global trends and pledged to take even more steps if necessary.

With growth prospects in farm-dependent India dampened by the patchy rains, economists say the government is keen to avoid a rise in rates, now at 30-year lows, that could deter borrowing and investment. The central bank rate used for pricing loans is 6.0 percent while the short-term repo rate is 4.5 percent.

At the same time, leftist allies on whom the government relies for support have been pressing for sterner action on inflation. It "inflicts a greater burden on the poor who ultimately have to pay the price for essential commodities," communist leader Nilotpal Basu said.

IMF cautions Pakistan on rising inflation

REUTERS, *Karachi*

The International Monetary Fund praised Pakistan's economic progress Thursday but said rising inflation remains a matter of concern.

"Pakistan's economic performance and prospects are now more favourable than at any time in at least the past decade," the IMF said in a statement after meetings between a Fund team and Pakistan's economic managers, held to review the country's economic reforms.

However, it added: "The rising trend of inflation is a concern."

Pakistan's annual consumer price inflation index in July was 1.38 percent higher than in June and 9.33 percent higher than a year earlier.

Last month the Asian Development Bank said Pakistan was unlikely to keep inflation at the government's target of five percent in the year to June 30, 2005. Inflation last year was 4.57 percent against a target of 4.2 percent. Rising food and oil prices are mainly responsible for the sharp rise in inflation, and analysts said that if the trend continues it would put upward pressure on interest rates.

The central bank has kept interest rates low for the last two years in an attempt to stimulate economic growth, taking advantage of high liquidity in the domestic money market.

However, in recent treasury bill auctions it has pushed up yields on 3-and 12-month paper.

"In this regard, the mission welcomes the (central) State Bank of Pakistan's effort to tackle inflation by gradually tightening monetary policy," the statement added.

It said most structural reforms in the country were on track, and the macro-economic outlook was favourable.