

## 2004 DOUBLE-TAXATION AVOIDANCE TREATY Dhaka still waits for Washington approval

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The US-Bangladesh double-taxation avoidance treaty signed last year is yet to come into force due to delay in getting Washington's approval for it, officials in Dhaka said.

The agreement, which was approved by Bangladesh cabinet immediately after its signing in September, has been pending in the US Senate for the last 10 months.

The treaty was signed to offer a special tax relief facility to the Bangladeshi businessmen residing

in the US or Bangladeshi citizens who have enterprises in the US. The US citizens and US investors in Bangladesh are also entitled to this facility.

When asked, an official at the US embassy in Dhaka said the US authorities are not indifferent to the agreement. He said dozens of similar treaties and bills are pending for long in the US Senate for approval.

The official hoped that the treaty might get the approval soon.

Bangladeshi people residing in the US have long been demanding a

double-taxation avoidance treaty as they have to pay tax on their income in both the countries. US investors in Bangladesh had also raised the same demand.

Khairuzzaman Chowdhury, chairman of the National Board of Revenue (NBR), and former US ambassador in Dhaka Harry K Thomas signed the treaty.

The US embassy official said the treaty represents the ongoing US efforts to establish tax relationships with the emerging economies.

The agreement with Bangladesh generally follows the pattern of the

US model tax treaty and recent US tax treaties signed with the developing countries, he said.

A commerce ministry official however said the US government is taking too much time in implementing Dhaka-Washington agreements. The proposed Trade Investment Framework Agreement (TIFA) is also awaiting finalisation.

He said the US officials are intending to involve more and more non-economic issues in those agreements that are hindering their implementation.

## Thai fruit fair ends

STAR BUSINESS REPORT

A three-day Thai fruit fair concluded yesterday.

The fruit festival was part of the July 14-24 Thailand Festival 2005 at Sonargaon Hotel in Dhaka.

The Royal Thai Embassy in Dhaka has organised the 11-day festival in collaboration with Thai Airways International Company Ltd and Sonargaon Hotel.

Fruits of different tastes and colours, unfamiliar in Bangladesh, were displayed and sold at the show. Cantaloup, longan, durian, sweet tamarind, dragon fruit, mangosteen were some of the Thai fruits that attracted people much.

It was the second Thai fruit fair in Bangladesh. The first one was held last year organised by the Royal Thai Embassy as well.

Had there been no halt on Saturday, the festival would have received more visitors, organisers said. Last year's festival was also disrupted by similar strike.

Describing the festival a promotional one, the organisers said, as these fruits do not grow in Bangladesh, businessmen can import them from Thailand.

## L/C opening trend remains high

STAR BUSINESS REPORT

Despite the central bank's measures to tighten the wholesale opening of letters of credit (L/Cs) in recent times, the trend in the first two weeks of July remained high.

L/Cs valued at \$578 million were opened in the first two weeks of July 2005, which was \$512 million during the same period of 2004, according to Bangladesh Bank statistics.

However, the trend in June 2005 was a bit less than that of the same month last year. L/Cs worth \$1,014 million were opened in June 2005, which was \$1,287 million in June last year.

On the other hand, the amount settled in June and first two weeks of July this year was still high.

L/Cs settlement amounted to \$1,049 million in June 2005, which was \$963 million in June 2004. The amount of settlement was \$228 million in the first week and \$228 in the second week of July 2005. The settlement amount was \$219 million and \$189 million in the first and second weeks of July 2004.

In June 2005, L/Cs worth \$127 million were settled for refined oil, \$32 million for crude oil, \$93 million for capital machinery and \$33 million for other machinery.

Besides, L/Cs worth \$52 million were settled for raw cotton, \$31

million for palm oil, \$26 million for sugar, \$18 million for wheat and \$17 million for clinker in June this year.

L/Cs worth \$58 million were settled for refined oil, \$41 million for capital machinery, \$55 million for fabrics, \$25 million for raw cotton and \$17 million for wheat.

The central bank on Sunday sat with the officials of 22 private commercial banks and advised them to be cautious in opening L/Cs.

"You have to manage your fund on the basis of your income ability and consider whether you can pay for opening the L/Cs," Md Allah Malik Kazemi, deputy governor of Bangladesh Bank, advised the representatives.

## Citigroup profit jumps, misses estimates

REUTERS, New York

Citigroup Inc on Monday reported quarterly profit that missed analysts' estimates, as fixed-income trading revenue plunged and higher U.S. bankruptcies hurt credit card revenue, sending its shares down 2 percent.

Citigroup, the world's largest financial services company, saw a decline in second-quarter profit from the trading of debt and derivatives as the gap between short- and long-term interest rates shrank.

Chief Executive Charles Prince called the environment "one of the worst we have seen in years."

Citigroup also saw its North American credit card revenue fall 3 percent as more U.S. customers filed for bankruptcy protection ahead of changes in U.S. bankruptcy laws.

But Bank of America Corp the No 2 US bank, reported its second-quarter profit rose 12 percent, beating forecasts, helped by growth in credit card fees, although it also reported lower fixed-income trading revenue.

Steve Roukis, managing director at Matrix Asset Advisors Inc. in New York, said of Citigroup's results, "It was tough to trade because the yield curve flattened, and credit spreads widened. This business goes up and down -- that's the nature of the beast."

## Nissan to invest \$45m to boost output in Mexico

AFP, Tokyo

Nissan Motor will invest five billion yen (45 million dollars) to boost output capacity in Mexico amid rising competition from South Korean auto makers in the North American market, a report said Monday.

Nissan, Japan's second-largest carmaker controlled by Renault of France, will raise annual production capacity by 33 percent to 400,000 units at its passenger car plant in Mexico, the business daily Nihon Keizai Shimbun said.

The company also plans to launch production of a new, low-priced subcompact car at the Mexican plant to compete against South Korea's Hyundai Motor which is rapidly expanding its share in the North American market, it said.



Sayeful Islam, president of Dhaka Chamber of Commerce and Industry (DCCI), makes a point at a seminar on 'Corporate Governance and Control' in Dhaka yesterday. Mirza Azizul Islam, chairman of Securities and Exchange Commission, and Muhammad A Rume Ali, deputy governor of Bangladesh Bank, among others, are seen.

## CORPORATE GOVERNANCE SEC may take action against rule breakers

STAR BUSINESS REPORT

The Securities and Exchange Commission (SEC) is preparing a list of the companies, which are violating the principles of corporate governance, SEC Chairman Mirza Azizul Islam said yesterday.

The SEC may take actions against the companies for violating corporate governance rules, the chairman said while speaking at a seminar in Dhaka.

Dhaka Chamber of Commerce and Industry (DCCI) and Centre for Development Research, Bangladesh (CDRB) jointly organised the seminar

on 'Corporate Governance and Control' at the DCCI conference room.

Azizul Islam said the SEC has launched a monitoring programme regarding corporate governance in collaboration with the Bangladesh Bank.

DCCI President Sayeful Islam underscored the need for introducing sound corporate governance in the country's economy in order to expedite more foreign investment and quality trade.

If sound corporate governance is introduced, it will help the country's capital market, private investors, donors and financial institutions, he

added.

The CDRB Chairman Mizanur Rahman Shelley said good corporate governance can help Bangladesh attain equitable socio-economic development.

Bangladesh Bank Deputy Governor Muhammad A Rume Ali, Joint Stock Companies Registrar Mohammad Abdul Quayyum also spoke at the seminar.

Kabir U Hasan, professor of New Orleans University, USA, presented the keynote speech on the subject.

## Delhi must not compromise on rules of origin

Says Indian chamber

ANN/ THE STATESMAN

The government must not relent under any pressure from Asean countries to dilute the Rules of Origin (ROO) that India has framed before signing the Comprehensive

Economic Cooperation Agreement (CECA) with Singapore, the Associated Chambers of Commerce and Industry (Assocham) has said.

Such a compromise would adversely affect the India's Free

Trade Agreement (FTA) with Asean vis-a-vis other regional groupings such as Bimstec and Safta, the Assocham said in a paper India Asean Rules of Origin: an Industry Perception.

In the paper, submitted to the commerce and industry ministry, the chambers suggested that India should have a standard format of uniform rules of origin that should be applied to its all future trade partners either regional or bilateral with whom government wishes to enter into preferential and free trade agreements (FTAs).

Releasing the Paper, Assocham president, Mahendra K Sanghi said "If the Rules of Origin with Asean are relaxed, it would have adverse impact on the ROOs for the Indo-Thai FTA, India-Singapore CECA. Besides it will have cascading affects for the proposed Safta and Bimstec agreements."

The ROO for Asean, therefore, have to be identical. No preferential treatment needs to be reserved for a particular country, Sanghi felt.

"Assocham strongly feels that India represents a huge market opportunity, which should not be handed over to Asean countries with a relaxed ROO.

## Thailand seen raising rates to attract capital

REUTERS, Bangkok

Thailand's central bank will raise interest rates by 25 basis points this week underlining the authority's concern over the need to close a gaping current account deficit. On that, analysts are agreed.

The big question, on which there are a variety of opinions, is how fast the central bank will raise rates for the rest of the year as it balances the need to attract capital to Thailand without tighter policy stifling economic growth.

It would be the sixth rise since August, pushing the 14-day repurchase (repo) rate to 2.75 percent.

Governor Pridiyathorn Devakula left the market in no doubt about policy early this month, saying rates had to rise to offset the impact of a widening current account deficit brought on by surging oil prices and imports.

Pridiyathorn said interest rates must rise to attract the capital inflows needed to stabilise the current account and to shore up the bath. Thai rates would have to rise above domestic inflation and foreign rates, he said.

With the US fed funds rate forecast to rise to around 4.0 percent by the end of 2005 from 3.25 percent now, analysts forecast Thai rates would rise to a median 3.25 percent by the end of the year.

Costly oil imports, a drought and the impact of December's tsunami generated a current account deficit of \$4.7 billion in the first five months of 2005, swinging from a year-earlier \$2.35 billion surplus.

## Philips profits up 60pc in Q2

AFP, Amsterdam

Philips, Europe's leading consumer electronics company, said Monday that net profit surged 60 percent in the second quarter from a year ago, largely due to the sale of its shares in digital map data firm Navteq.

Second-quarter net profit rose to 983 million euros (1.18 billion dollars) from 616 million euros a year earlier.

The company, however, said operating income had dropped 59 percent to 147 million euros from 356 million euros, largely due to weak consumer demand in western Europe.

The figures were in line with analysts' expectations.

Sales declined three percent to 7.09 billion euros from 7.28 billion euros a year ago. The fall was particularly marked in Europe, where it doubled to a six percent decline.

The Dutch company added that the weaker US dollar and various divestments had pushed sales two percent lower.

"Solid growth at Medical Systems and Lighting was offset by declines at Semiconductors and Mobile Display Systems," Philips said in a statement.

Philips "needs to have a recovery in the technology sector to reach the target" of an annual average rise in sales of five to six percent, chairman Gerard Kleisterlee told journalists.

Philips voiced caution in its third-quarter outlook.

"In many parts of the world growth is slowing down," the company said in a statement.

## 'PRSP to be finalised this month'

STAR BUSINESS REPORT

The government will finalise the poverty reduction strategy paper (PRSP) this month, Kamaluddin Siddiqui, principal secretary to the prime minister, said yesterday.

"The maximum strategies of the draft PRSP are final. We are now revising the paper after taking views from different organisations," he added.

Replying to a question, he said, "The paper is our own creation to alleviate poverty."

The government was scheduled to publish the final PRSP last month.

He was speaking at a workshop titled "Social Protection in PRS: Towards a Comprehensive

Approach on Safety Net" in Dhaka.

The General Economics Division, Planning Commission and Power and Participation Research Centre (PPRC) jointly organised the workshop.

Speakers at the workshop said Bangladesh is now undergoing a new risk profile where traditional social safety net may not work. The new risks such as globalisation and worsening environmental conditions may create havoc, they added.

The speakers also said households are facing increasing health care costs due to increase in non-communicable diseases in Bangladesh.

World Bank Country Director Christine Wallich said for improving

economic conditions the safety nets programmes should be run transparently.

Former caretaker government advisor Wahiduddin Mahmud said, "We have hopelessly low revenue mobilisation for sufficient income transfer to the poor and there is corruption and leakage in safety net programmes."

Mahmud said in spite of the resources constraint, some socially accepted minimum safety net standards are needed. Disaster management should be part of the safety net, he added.

"We need a careful evaluation of all programmes for the poor and the vulnerable," he said.

## Japanese keen to invest in 13 sub sectors

STAR BUSINESS REPORT

A group of Japanese investors have expressed keen interest to invest in 13 sub sectors in Bangladesh through foreign direct investment (FDI) and joint venture investment.

The areas of possible investment are power, solar energy, sea fish processing, textile and jute. Manufacturing paper pulp is another area of their interest.

The investors also showed interest to establish a 500-bed hospital and a Japan-Bangladesh Industrial Park in Dhaka.

The 11-member Japanese team unveiled the investment proposals on Sunday while speaking at a seminar titled 'Meet the Japanese Investors' in Dhaka. Japan-Bangladesh (JB) Group, a joint venture investment group in Bangladesh, organised the seminar with Textiles and Jute Minister Shahjahan Siraj as chief guest.

The investment team headed by Salim Prodhon, chairman of JB Group, also asked the local investors to submit investment proposals for establishing joint venture industry in Bangladesh.

The JB Group signed a couple of joint venture investment agreements with the Bangladesh government and those ventures will create employment opportunities, Prodhon said.

Textiles minister assured the investors of all out support from the government for investment here.

Zakir Hossain, executive chairman of Bangladesh Export Processing Zones Authority, and Yoshito Igarashi, vice-chairman of JB Group, among others, were present at function.

## Malaysia May factory sales up

AFP, Kuala Lumpur

Malaysia's manufacturing sales in May rose 12.6 percent year-on-year to 37.5 billion ringgit (9.9 billion dollars), official data showed Monday.

But sales fell 3.1 percent from April, the Statistics Department said in a statement.



## Qatar Airways' new regional manager

Dhanwanthri Goonetilleke has been named Qatar Airways' regional manager for Bangladesh and Nepal.

He will be stationed in Dhaka, says a press release.

Prior to his new assignment, Goonetilleke was the regional manager for India, Sri Lanka and the Maldives. When based in Mumbai, he was also responsible for Bangladesh and Nepal for a short period.