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Special incentives for big foreign investors on cards

Govt plans new laws

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The government is considering introducing new laws to offer special investment incentives to big foreign investors such as India's Tata Group and United Arab Emirates' Dhabi Group.

It also plans to formulate a fresh law to provide investment security for large-scale investments.

The issues were discussed yesterday at a high level meeting between the Ministerial Committee on Tata Investment and the Negotiation Committee on Tata Investment. Industries Minister Matiur Rahman Nizami presided over the meeting, where State Minister for Power Iqbal Hasan Mahmud and Energy Ministry Advisor and Executive Chairman of Board of Investment Mahmudur Rahman were also present.

Appointment of a local economist to assess economic and social impact of the Tata investment was also discussed at the meeting.

At the meeting, the ministers proposed incentive ceilings for big foreign investment categories such as $1 billion, $2 billion, $3 billion and $5 billion investments.

The Board of Investment will assess the requirements for fresh laws or amendment to existing laws to allow special incentives for large-scale foreign investors.

Besides, the government needs to enact a law if it considers Tata's proposal to offer an export processing zone facility to the industrial heavyweight, source said.

During the meeting, the negotiation committee, headed by Communications Secretary Shafiqul Islam, apprised the ministerial committee of overall development of the Tata Investment negotiations.

The ministers expressed satisfactions over the performance of the government sub-committees and development of the negotiations.

The third round of talks between the government and the Tata Group will resume after Eid vacation.

Tata plans over $2.5 billion investment in steel, power and fertilizer industries.

World trade set to grow 7pc in 2006: WTO

REUTERS, *Geneva*

World Trade Organisation (WTO) economists predicted Thursday that global goods trade growth would pick up to seven percent year on year in 2006 against an expected 6.5 percent for 2005.

In the WTO's latest report on international trade statistics, they said the slowdown this year after a boom in 2004, when growth reached 9 percent, was partly due to declining consumer and business confidence in richer economies.

If widespread predictions that the world economy -- hit earlier in the year by soaring oil prices -- recovered moderately by the end of December "world trade growth should accelerate to around 7 percent in 2006," the report said.

This year's figure, based on trends up to the end of June, continued the see-saw since the turn of the century following several years of strong and steady growth during the 1990s.

In the second quarter of 2005, the report said, goods trade picked up in the richer economies, "but available information points to significant growth deceleration in intra-Asian trade and in US imports" over the first six months.

"The steep rise in real oil prices, to their highest level in more than two decades, has negatively affected consumer and business confidence in the oil importing countries," the WTO economists who compile the report declared.

Two more ICB mutual funds in the offing

Shareholders of ICB First Mutual Fund to receive 210pc dividend

STAR BUSINESS REPORT

The Investment Corporation of Bangladesh (ICB) will float two new mutual funds soon.

The funds -- Wage Earners' Mutual Fund, exclusively for non-resident Bangladeshis, and Second Islamic Mutual Fund -- now await approval from the Securities and Exchange Commission.

Besides, the ICB is also planning to float two more mutual funds -- Sectoral Mutual Fund and Bond Mutual Fund.

ICB Managing Director Ziaul Haque Khondker made the announcements at a press conference in Dhaka yesterday.

The ICB yesterday also announced dividends on its mutual funds and unit fund for the financial year 2004-05.

Shareholders of ICB First Mutual Fund will receive 210 percent dividend, ICB Second Mutual Fund 55 percent, ICB Third Mutual Fund 52 percent, ICB Fourth Mutual Fund 48 percent, ICB Fifth Mutual Fund 27 percent, ICB Sixth Mutual Fund 18.5 percent, ICB Seventh Mutual Fund 16 percent and ICB Eighth Mutual Fund 15 percent.

The shareholders of ICB AMCL First Mutual Fund will receive 16 percent dividend, ICB AMCL Unit Fund 12 percent, ICB AMCL Islamic Mutual Fund 5 percent and ICB AMCL Pension Holders' Unit Fund 9 percent.

The shareholders approved the dividend package at the 29th annual general meeting (AGM) of the ICB. ICB Chairman Md Hasinur Rahman presided over the AGM.

The ICB net profit of Tk 21.94 crore from unit fund in 2004-05 is 21 percent higher than that of the previous year.

During the last fiscal year, the corporation committed a net financial assistance of Tk 149.05 crore to 11 projects in the form of pre-IPO placement, lease financing, equity participation, investment in bonds and purchase of preference shares and debentures, which was 228 percent higher over the previous year.

The corporation recovered an amount of Tk 198.76 crore from margin and project loans during the year, 70 percent up from the previous year.

The ICB offered a wide range of financial relief/benefit to those investment accounts affected badly due to abnormal market fluctuations in 1996.

A large number of investment account-holders received the facilities. Under this scheme, up to June 30, 2005, the ICB waived interest amounting to Tk 50 crore against 15,004 investment accounts.

Under the investors' scheme, during 2004-05, an amount of Tk 22.77 crore was received as margin deposit, 159.5 crore was disbursed as margin loans and Tk 118.26 crore invested in listed securities, resulting in a total investment of Tk 760.82 crore up to June 30, 2005 on behalf of investment account holders.

Among others, ICB General Manager Md Fayekuzzaman and ICB Secondary Trading Company CEO Nurul Alam also spoke.

PHOTO: STAR

Managing Director of Investment Corporation of Bangladesh (ICB) Ziaul Haque Khondker (centre) speaks at a press conference in Dhaka yesterday to announce dividends on ICB mutual funds and unit fund for the financial year 2004-05.

Reliance Q2 net profit jumps 42pc

REUTERS, *Mumbai*

India's top private sector company, Reliance Industries Ltd., posted a better-than-expected 42 percent rise in quarterly net profit, boosted by better petrochemical prices and good refining margins.

The flagship of the Ambani family's Reliance group runs a 660,000 barrel-per-day refinery that produces high-quality products from cheap, heavy sour crude and earns more than half of Reliance Industries' profits.

Reliance said July-September net profit rose to 24.81 billion rupees from 17.52 billion a year ago, while total income rose 27 percent to 209.39 billion. Analysts' consensus forecasts were for net profit of 22.06 billion rupees on sales of 190.64 billion.

"Petrochemicals is a big surprise this time," an analyst with an international brokerage said, though he added that refining margins appeared to be similar to the previous quarter.

Analysts had expected an upswing in refining margins to continue this quarter despite a 45-day refinery shutdown that started early this month.

Reliance said the increase in sales for the April-September sales reflected a 23 per cent rise in product prices and a 4 per cent rise in volumes from the same period a year ago.

Net profit for the full-year to end-March is forecast to rise 30 per cent to 86 billion rupees, according to Reuters Estimates.

India likely to buy jute bags from Bangladesh

PALLAB BHATTACHARYA, *New Delhi*

As part of India's initiative to push up imports from neighbouring countries, decks have been cleared for import of jute bags from Bangladesh by state-owned Food Corporation of India.

The high-powered Trade and Economic Relations Committee headed by Prime Minister Manmohan Singh has given the green signal to a proposal permitting FCI to buy jute bags from Bangladesh, Singh's media advisor Sanjaya Baru told reporters here on Wednesday.

India will also address the issue of specific duty concessions on certain jute and textile items from Bangladesh besides non-tariff barriers.

The notifications to this effect are likely to be issued after textile, commerce and industry and finance ministries clear the procedures.

Indian Finance Minister Palaniappan Chidambaram is also considering a plea by Bangladesh that it be compensated for the revenue it has to forego in the form of exempted import duties once South Asian Free Trade Arrangement (Safta) goes into force from January next year. It is, however, not clear how the compensation would be packaged.

The Indian prime minister is understood of the view that a positive stand has to be taken to help Bangladesh.

Efforts are also on to secure transit rights from Bangladesh to pave movement of goods from north eastern Indian states to other parts of India, official sources said.

India, the sources, said would back Afghanistan's full membership of Saarc at the upcoming Dhaka summit. In fact, Manmohan had said as much when he visited Kabul in September this year and declared that India would welcome Afghanistan's inclusion in the regional bloc.

Indian officials say enhanced trade among Saarc countries would expand Afghanistan's small economic base while transit facilities through Pakistan would help Kabul not only access the sea port but its commerce with other member-countries of South Asia.

The road map for free trade with smaller Saarc countries and duty concessions for them as laid out by the Indian prime minister assume significance against the backdrop of deadlock in WTO negotiations.

If, indeed, Safta materializes on time and New Delhi comes out with duty concessions to neighbouring countries, India would have in place free trade pacts with countries accounting for about one third of the world's population, majority of them in high-growth economies.

It is expected that this economic plan and India's trade diplomacy would find its reflection in the budget Chidambaram presents early next year when import duties are likely to be brought down to the level of Asean countries.

Oil prices rebound above $61

AFP, *London*

Oil prices recovered from overnight losses in Asian trade Thursday as the market started to focus on the northern hemisphere winter when heating-oil demand rises, dealers said.

At 4:20 pm (0820 GMT), New York's main contract, light sweet crude for delivery in December was up 44 cents to 61.10 dollars from its close of 60.66 dollars Wednesday in the United States where it had slumped 1.78 dollars.

A sharp jump in US crude stockpiles put pressure on prices on Wednesday but with cooler weather now setting in, the market is starting to focus on heating oil and other distillates which saw big drawdowns in the latest report by the Department of Energy (DoE), dealers said.

Phil Flynn, an energy analyst with Alaron Trading, said traders' focus "has shifted to distillates and that includes heating oil."

"Winter just seemed so far away last week but suddenly winter can sneak up on you and with frost and snow on the Halloween pumpkin, traders will worry that we will face a long, hard, cold winter.

"And if that is indeed the case we will worry about our supposedly adequate supplies of natural gas and heating oil."

The DoE said Wednesday in its weekly report card that US crude oil stockpiles rose by 4.4 million barrels in the week ending October 21 to total 316.4 million as stockpiling continued after recent hurricanes.

For distillates such as diesel and heating fuel, the government report showed a decline of 1.6 million barrels to 121.1 million over the week.

Asia struggles to fight bird flu

AFP, *Beijing*

Governments across Asia yesterday redoubled their efforts to combat bird flu, as China insisted it had the virus under control despite concern that a girl who died from flu-like symptoms had contracted the disease.

In Bangkok, Thai Prime Minister Thaksin Shinawatra said bird flu would be on the agenda at a regional meeting of five Southeast Asian leaders next week, with a view to coordinating efforts to stop the spread of the virus.

Malaysia slapped a ban on the import of pet birds after avian influenza was detected in a parrot in Britain. Vietnam said it wanted to manufacture Roche's anti-viral drug Tamiflu to combat a possible flu outbreak.

Global fears of a massive flu pandemic are mounting, now that the virus has spread to Europe and Russia. On Wednesday, Croatia confirmed that dead swans found last week were carrying the killer H5N1 strain of bird flu.

More than 60 people have died in Asia since 2003 of the deadly H5N1 strain, two-thirds of them in Vietnam. Last week, Thailand reported its 13th death from bird flu.

Experts fear a pandemic that could kill millions across the globe if H5N1 acquires genetic material from a human influenza virus and becomes easily transmittable from human to human.

China has reported three bird flu outbreaks in the past week, in the Inner Mongolia region and the provinces of Hunan and Anhui, but senior officials insist the spread of the virus is under control.

India's economy can grow beyond 8pc: PM

REUTERS, *New Delhi*

India's economy is poised to grow at over 7 percent this financial year and the economic environment is conducive for more than 8 percent growth in the long term, Prime Minister Manmohan Singh said Thursday.

"This is not impossible. We grew at almost 7 percent last year, and this year too, we expect growth to be in excess of 7 percent," Singh told a farm conference.

"If one looks at the overall macroeconomic scenario in the country today, I see that the environment is quite favourable for accelerating our growth rate to beyond eight percent."

Singh said the country must aim for over 4 percent agricultural growth for overall economic growth of more than 8 percent.

Asia's third largest economy grew at a robust 8.1 percent annually in the April-June quarter led by strong output in services and manufacturing.

Farm output, generating about a fifth of GDP, grew an annual 2.0 percent in April-June compared with 1.8 percent in the previous three-month period and 3.8 percent a year ago.

Singh said farm growth was not picking up, with average agricultural growth rates of just 1.5 percent since 2002/03 (April-March).

The Congress-led coalition government in its policy blueprint has set a target of achieving annual growth of 7-8 percent.

Singh said this year's growth projection was based on forecasts of less than 2 percent agricultural growth.

Almost 65 percent of the country's billion-plus people depend on agriculture for a living. India is one of the leading producers of wheat, rice and milk, fruit and vegetables. It produces more than 200 million tonnes of foodgrains a year.

But the farm sector is dogged by poor productivity and excessive dependence on the monsoon because of lack of irrigation facilities.

Asia's inflation light flashes amber, not red yet

REUTERS, *Singapore*

If you're a central banker in Asia these days, inflation numbers are unlikely to make for happy reading.

Inflation is at a seven-year high in Thailand, stubbornly near 6-year peaks in Malaysia and expected to hit double digits in Indonesia following hikes in domestic fuel prices.

In northeast Asia, inflation has been relatively tame but is also picking up. It has touched a seven-year peak in Hong Kong. South Korea's consumer price index in September saw its fastest annual growth since June.

The main culprit for a faster-than-anticipated rise in inflation across the region remains high oil prices and the numbers may get worse in coming months, economists say.

But they add Asia is not on the brink of runaway inflation and pre-emptive monetary tightening should help contain price pressures in the long run.

"Inflation is a worry and the key thing is to see that the energy shock is not feeding through to other areas. And so far there is no sign of a significant buildup coming through," said Barclays Capital regional economist Nicholas Bibby.

In the latest quarterly polls from Reuters, analysts raised their 2005 inflation forecasts for just over half of the 12 Asia-Pacific economies surveyed compared with projections they had made in July.

Oil prices have eased from record highs above $70 a barrel CLc1 in August but remain some 40 percent above levels seen at the start of the year.

They are a key driver of inflation globally and one reason why consumer prices in Japan are expected to start showing annual growth by year-end.