Star BUSINESS

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IMPORT DUTY ON PAPER

Local producers force up prices of writing materials, books

Allege business insiders

KAWSAR KHAN

Heavy import duties on paper are allowing domestic paper producers to reap huge profits, forcing up the prices of writing materials, books and other paper made items, alleged paper retailers, importers and book publishers.

The government imposes a 25 per cent import duty on paper, the highest rate on essential items. On top of this comes a supplementary duty and 15 per cent value added tax. This takes the total tax burden to nearly 60 per cent.

In the case of average quality writing paper, taxes and duties increase the price per ton from between Tk42,000-48,000 to between Tk 70,000-85,000 by the time it reaches the local markets.

With less duties, local manufactures are able to sell paper at much lower prices, however according to Mohammed Bipu, a paper merchant and member of Dhaka Paper Merchants Association, local manufacturers price their products only marginally below the imported prices, reaping windfall profits.

This is made worse as there is no real competition between local manufacturers who are happy to exploit the high prices, it is claimed.

Mohammed Bipu said an indication of real production costs could be seen from the government owned Karnaphuli Paper Mill that was selling the same grade of paper at around Tk50,000 a ton. The government production capacity was, however, too small to have any real impact on overall paper prices, he added.

In the last two and three years, prices of imported writing papers increased by 20 and 30 per cent due to price hike in international market and the depreciation of taka against dollar. During the same period, local producers have increased prices by 50 - 55 per cent.

"Mill owners have increased paper prices by 50 and 55 per cent as they have been able to create a price cartel," M Shafiqul Islam, general secretary of Bangladesh Paper Importers Association, said.

He said local companies supply for 70 per cent of local paper market with the rest being imported. Imported papers are mainly packaging materials and RMG accessories for the export-oriented textile sector. Only around 10 per cent of writing paper is imported.

Islam said the country was being held hostage by a powerful industrial interest group.

"If the government reduced the duty on paper imports, the local mill owners would have to reduce prices and we would have a competitive situation," said Hamid Ahmed, president of Dhaka Paper Merchants Association.

"Now paper consumers are being subjected to price manipulation due to wrong government policy," he further said.

In the Nayabazar paper market in the capital, all the major paper mill owners have their own warehouses. Paper merchants alleged that the producers worked together to create artifical shortages in order to keep prices high.

High paper prices hit education as it pushes up the costs of writing materials and books. For example, in the last year, publishers say they have increased text book prices by 20-30 per cent to reflect the rising paper price.

In first 10 days of this year's Amar Ekushey Book Fair, 631 new books were published compared to 1061 in the same period last year. Publishers said the decline was partially the result of the high paper price.

The allegations of price manipulation were strongly denied by mill owners who said increased prices were a result of the depreciation of the taka and the rising price on international markets of raw materials used in paper manufacture such as paper pulp.

"It is absurd to say that the paper mill owners have created artificial shortage to hike prices. Manufacturers never stock products anywhere in the world," Azmal Hossain, a member of Bangladesh Paper Mill Association and owner of Hashem Paper Mills Ltd, said.

The president and vice-president of Bangladesh Paper Mills Association could not be reached for their comment in this regard.

Social Investment Bank realises Tk60cr from top 20 defaulters

STAR BUSINESS REPORT

Social Investment Bank Ltd realised Tk60 crore from its top 20 defaulters in 2006 and another Tk65 crore from other defaulters during the same period, officials said.

The bank was listed as a problem bank in 2005 and the central bank set some targets for the bank to improve its financial and management condition by the end of 2006.

"We have met most of the targets set by Bangladesh Bank. The bank's provision shortfall came down to zero at the end of 2006 against the provision shortfall of Tk 34.55 crore in December 31 of 2005," said Ashaduzzaman, managing director of the bank, while talking to the journalists on Tuesday.

At the end of 2006, the percentage of classified investment stood at 4.71 percent against the target of 5 percent set by the central bank.

"We, however, could not fulfil the target of reducing the capital shortfall to zero. On December 31 of 2006, the capital shortfall stood at Tk 26 crore, which was Tk 69.42 crore a year ago," Ashaduzzaman added.

"We hope for achieving the target very soon," said Abu Sadek Md Sohel, deputy managing director of the bank.

At the end of the last year, the paid up capital of the bank stood at Tk 58.50 crore.

REHAB FAIR

Buyers hardly match taste with capacity this time

Rangs, Concord offer low-priced flats

STAR BUSINESS REPORT

Participation in the housing fair this time by developers has marked a considerable rise and offers from them are many, but buyers can hardly match their taste with capacity in choosing apartments and lands as prices soared by 15 percent to 20, compared to the last year's.

Hundreds of visitors thronged the REHAB fair at Hotel Sheraton yesterday, but a few gave booking for the flats and plots of their choice, according to organisers.

The buyers, especially the middle class group, find it difficult to translate into reality the dream of a good house in the city's posh areas.

"Last year we planned to make booking for an apartment of a developer in Dhanmondi area, but it was not decided then. This time the soaring price of that apartment has gone out of our reach. The same company charges Tk 3600 a square foot for the apartment this year, whereas the rate was Tk 3200 last year," Selina Ahmed, a housewife who visited the fair along with her businessman husband, said.

The price was between Tk 1500 and Tk 4000 per square foot of an apartment last year depending on quality, size, area and reputation of a company, which jumped to a rate ranging from Tk 2500 to Tk 6500 this year, according to some sales executives of the firms showcasing their products.

The price of per katha land also increased by 15 to 20 percent this year varying between Tk 1.5 lakh and Tk 5 lakh, which ranged from Tk 1.20 lakh to Tk 3.5 lakh last year.

Visitors' presence is good, but the rate of booking is very poor, Zahangir Alam, a sales executive of a company, said.

He said the crackdown on the black money holders by the present caretaker government has led the situation to a volatile one.

"Previously a good number of government officials bought duplex villa and posh apartments, which we miss this year," a senior sales executive of BDDL Group, said.

He said expatriate Bangladeshis are the main customers of luxurious apartments and plots.

There are some companies that offer various apartments for comparatively lower income group in the city. Rangs Properties is one of them. This company is also offering flexible instalment facilities for the buyers belonging to the middle class group.

Concord Real Estate & Building Products Ltd. offers apartments at the Khilkhate Lake City project at a monthly instalment of Tk 15,000 only.

Visitors also crowd the Rupayan stall for its competitive attractive prices and various offers.

The fair that started Tuesday will continue till February 24. It will remain open for public from 10 am to 9pm. The total participants in the fair, organised by Real Estate Housing Association of Bangladesh (REHAB), are 133, 128 of which are developers and 5 financial institutions.

PHOTO: STAR

Visitors crowded the ongoing housing fair at Dhaka Sheraton Hotel yesterday as the day was a public holiday.

Oil prices fall

REUTERS, London

Oil slid for a third day on Wednesday, but stayed within in a narrow range below $60 a barrel and lacked the impetus to break out in either direction.

"Prices are stuck in a three-week range but capped below key resistance. We (expect) to see further downside price moves, although in the near-term, we are resigned to sideways activity," said Barclays Capital technical analysts, who study past price moves to predict future direction.

By 1212 GMT U.S. crude was down 45 cents at $58.40. London Brent was 35 cents lower at $57.63 a barrel.

A rollercoaster seven months have taken U.S. oil prices from a record $78.40 last July to a 20-month low of $49.90 in January when unusually mild weather and a speculative fund sell-off dragged the market lower.

Since then rising political tension involving Middle Eastern and African oil producers and reduced output from the Organization of the Petroleum Exporting Countries has provided some support for prices, but they have struggled to break above $60 a barrel.

Opec member Iran, the world's fourth biggest oil exporter, which has been in dispute with the West over its nuclear ambitions for well over a year, remains defiant.

On Wednesday, it vowed to press on with its nuclear fuel program, ignoring a U.N. deadline to freeze uranium enrichment or face broader sanctions, but it offered to guarantee it would not try to develop nuclear weapons.

Tensions are also rising in Africa's biggest producer Nigeria ahead of April elections. Already militant attacks have shut a fifth of output.

Mild weather in top consumer the United States has cut into demand, however, and is acting as a drag on prices. U.S. heating oil demand is expected to be about two percent below normal this week, the U.S. National Weather Service said.

BOOSTING REGIONAL TRADE

Saarc business leaders see India a roadblock

UNB, Mumbai

Leading stakeholders in the Saarc region's trade viewed the Indian attitude as a major roadblock to boosting intra-regional trade.

"Their (India's) mindset is to derive maximum benefit for them and corner others in the region through protecting their market by uniquely imposing NTBs (non-tariff barriers)," said a leading businessman from Sri Lanka, requesting anonymity.

He voiced his frustration about the region's business prospect to the news agency on the sideline of the two-day Saarc Business Leaders Conclave that concluded here Sunday.

"Yes, there are some loose ends," Foreign Trade Minister of Sri Lanka Professor GL Peiris said, pointing out that the major problems of the India-Sri Lanka FTA is the non-tariff barriers.

He, however, mentioned that the FTA, of course, benefited Sri Lanka as its exports increased by around 300 percent since the signing of the bilateral FTA.

"We've implemented FTA more successfully with Pakistan than India," said another businessman from Sri Lanka Samantha Kumarasinghe, who have a business establishment in Bangladesh.

The chairman and managing director of Multichemi Bangladesh (Pvt) Limited narrated his business experiences both in Bangladesh without having FTA and in India having FTA.

"We've got much better opportunity in Bangladesh than India," he said, adding that Bangladesh is an excellent place for doing business.

"Their (India's) attitude is not favourable for others till today. If the situation is changed, it's OK," Kumarasinghe said.

He added that India should remove the NTBs soon to show a genuine gesture for boosting regional trade as the Indian Minister of State for Commerce Jai Ram Ramesh told the conclave.

Ramesh had said India decided to remove non-tariff barriers (NTBs) it imposes to restrict products from other countries as part of their responsibility as the region's biggest economy to help boost regional trade among the Saarc countries.

Drawing attention to the growth of Sri Lanka's export to India, Kumarasinghe said Indian's running business in Sri Lanka control 60 percent of the exports from Sri Lanka.

Asked whether Bangladesh should continue with India to negotiate the proposed bilateral FTA, he said it is Bangladesh, which will examine their possible benefits.

"But, as a whole, it's difficult for any country of the region to get more benefit than India - be it FTA or Safta - unless India changed its mindset," he added.

Chairing a session of the conclave, immediate past president of Saarc Chamber of Commerce and Industry (SCCI) Macky Hashim had stressed developing a mechanism by the policymakers in the region so that smaller nations get more benefit than the bigger ones.

FBCCI President Mir Nasir Hossain, when asked how he considers Indian minister Ramesh's assurance of removing the NTBs, said India has long been assuring at different forums that they would remove the trade barriers.

"So far, the assurances remained unimplemented," he said.

Qatari minister investing in world's most expensive flats

AFP, London

The financial backer of a project to build the most expensive apartments in the world in central London is the foreign minister of Qatar, the Financial Times reported on Wednesday.

Citing the owners of the Candy and Candy property development company, the newspaper said that it was understood that Sheikh Hamad bin Jassim bin Jaber Al-Thani had invested his personal wealth in the One Hyde Park project, and is the only investor in the project aside from the property developers.

One Hyde Park is to be built opposite up-market department store Harvey Nichols in Westminster, and will feature 86 apartments which the business daily said would be sold at more than 4,000 pounds (5,950 euros, 7,800 dollars) per square foot (0.09 square metre).

The four penthouses on the top of the building are apparently worth about 80 million pounds each, which would make them the most expensive apartments in the world, according to the FT.

The owners of the property development company, Christian and Nick Candy, told the newspaper that they were tired of the "innuendos" and "sensationalist journalism" that linked the project to Russian backers.

Better pay keeps more Lankans home

AFP, Colombo

War in the Middle East and equal paying jobs at home led to a sharp drop in Sri Lankans working abroad in 2006 as maids, clerks and professionals opted to stay put, an official said Wednesday.

The number of Sri Lankans who left for jobs abroad, mainly to the Middle East, dropped 13 percent in 2006 to 201,143 from 231,290 a year earlier, said L.K. Ruhunage, deputy general manager of the Foreign Employment Bureau.

"We saw a drop in the number of women workers, especially those going for jobs as housemaids," Ruhunage told AFP.

Most Sri Lankans seek employment in Middle Eastern countries, with Saudi Arabia the most popular choice, followed by Kuwait, the United Arab Emirates and Qatar.

However, in 2006 the number of workers to Saudi Arabia dropped 31 percent, while the number headed for Kuwait fell 17 percent, with similar drops in other Middle Eastern countries close to the war in Iraq.

Sri Lanka also sends the highest number of expatriate workers to war-torn Lebanon, with the bureau estimating more than 100,000 people work there through legal and illegal channels.

"The war in Lebanon, which lasted a few weeks, also scared prospective people from going to the Gulf countries," said Ruhunage.

The Central Bank of Sri Lanka estimates 1.4 million citizens work now in foreign countries, not including some who travel on tourist visas to illegally work in Europe and the Middle East.

Lottery for Shahjalal Islami Bank's IPO held

The lottery for initial public offering (IPO) of Shahjalal Islami Bank Ltd was held on Tuesday in Dhaka, says a press release.

A total of 6,50,458 applications were received against 93,58,250 shares equivalent to about Tk403 crore.

Chairman of the bank Sajjatuz Jumma, directors and senior officials of the bank, and representatives of Securities and Exchange Commission (SEC), Dhaka Stock Exchange, Chittagong Stock Exchange, Investment Corporation of Bangladesh (ICB), Bangladesh Bank and Central Depository Bangladesh Ltd (CDBL) were present on the occasion.

Prime Finance & Investment Ltd and Capital Market Services Ltd acted as joint issue manager for the IPO.

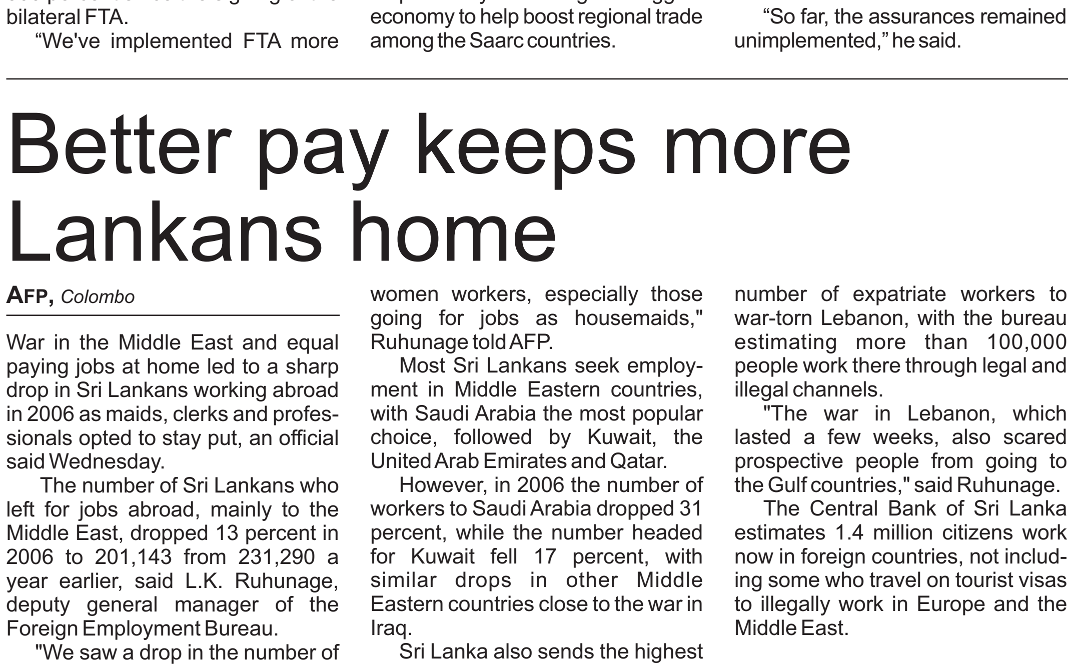

PHOTO: SHAHJALAL ISLAMI BANK

Sajjatuz Jumma, chairman of Shahjalal Islami Bank Ltd, speaks at a function marking the lottery for the bank's initial public offering (IPO) in Dhaka on Tuesday. Directors and senior officials, among others, were present.

Bepza meet with workers' representatives in CEPZ

Bangladesh Export Processing Zones Authority (Bepza) organised a meeting recently with the elected workers' representatives of the enterprises in Chittagong Export Processing Zone (CEPZ) to keep investment friendly industrial management in the EPZ.

Speaking at the meeting, Executive Chairman of Bepza Ashraf Abdullah Yussuf put emphasis on raising awareness of workers' rights and responsibilities and their manners, says a press release.

He said such kind of open discussion with the participation of the elected convener and members of Workers Representation & Welfare Committee (WRWC) will play an important role in keeping an investment-friendly environment and decent industrial management in the EPZ.

Ashraf assured the workers of a foot over bridge in front of the CEPZ gate and expansion of the mosque inside the CEPZ.

He urged all to comply with the labour laws and instructions, and said about the WRWC rights and the behavioural pattern of workers and owners on the basis of EPZ Workers Association and Industrial Relations Act-2004.

Among others, senior officials of CEPZ and Karnaphuli EPZ were present at the meeting.

Ford may close more plants

AFP, Michigan

Struggling Ford Motors Co. could be forced to shutter seven more plants and ask its unions for a 20 percent cut to wages and benefits as it faces a financial "meltdown," a respected analyst said Tuesday.

The recent dramatic decline in Ford's market share has brought the automaker to the brink of a crisis which could undermine the assumptions in its current restructuring plan, said Sean McAlinden, chief economist at the Center for Automotive Research.

"We're really, really worried about Ford," McAlinden said during a presentation to a group of investment bankers, journalists and human resources managers.

Ford will have to identify at least seven more plants that it will have to close in North America by midsummer before the current contract expires, he predicted. The current labor agreement expires in mid-September.

Both Ford and the union declined to comment on negotiations.

Ford, the world's third-largest automaker, lost a record 12.7 billion dollars last year on plunging sales of pickups and sport-utility vehicles and does not expect to post a profit again until 2009.

The company is in the midst of a massive restructuring plan aimed at shuttering 16 plants and eliminating up to 44,000 jobs in North America.

McAlinden said a 20 percent wage and benefit cut would save Ford between 1.4 billion and 2.0 billion dollars annually and protect the company from running out of cash reserves, he said.

"If Ford's market share falls to 10 or 12 percent by this summer, and if they start to burn cash at twice the rate they've planned, something will have to be done," McAlinden said.

The company's market share was hovering 15 percent in January.

Ford believes it has enough money to complete its turnaround plan, spokesman Tom Hoyt told AFP.

EU sees huge scope for exports to China

ANN/ CHINA DAILY

China is holding huge opportunities for the European Union exporters of green technology, high-value goods and business services, a EU study said on Tuesday.

The new study, supported by the European Commission, identified major opportunities for EU exporters after an assessment of the expanding market in China.

According to the study whose result was made available to the media on Tuesday, China's middle class is expected to number 150 million by 2010, which means new opportunities for EU companies in consumer goods. The study estimated the Chinese market for high-value goods will be worth one trillion euros (one euro equals to 1.3138 U.S. dollars) three years later.

The study also found the Chinese service sector is set to be on fast track of growth, whose market size may expand to 500 billion euros by 2010. This represents a new opportunity for EU providers of business to business services, the study said.

Since the Chinese government is committed to a sustainable economic growth pattern, which is strongly focused on environmental protection, the need for green technologies and services is another big opportunity for EU exporters. The market is estimated to be worth 98 billion euros by 2010.

The study advised EU companies should be present in China to catch those opportunities.

EU companies wanting to compete on price in the Chinese economy will need to produce goods in China itself in order to be cost-competitive, the study said.