

Star BUSINESS

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Licences of 447 export-import firms suspended

HASIBUR RAHMAN BIUL, *Bogra*

The government has suspended the licences of 447 import-export firms on charges of tax dodging.

The firms, which were operating in Birumari Land Port in Lalmonirhat district, evaded more than Tk15 crore mainly in import duties from 1996 to 2002 in connivance with a section of clearing and forwarding agents and customs officials, sources said.

Rajshahi Division Commissioner for Customs, Excise and VAT Sultan Md Iqbal said the Anti Corruption Commission is also looking into the matter and scrutinizing the documents.

Incidents of other tax irregularities by these firms, which used to import food items mainly, were also found, he said.

Most of the suspended firms are owned by politically influential people, the sources said adding that the suspension order was issued on February 27.

PeoplesTel announces network expansion plan

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PeoplesTel, a PSTN (public switched telephone network) operator, yesterday announced its network expansion plan that it claims will bring cheap telephony to all regions of the country outside the capital.

"Now 142 upazilas of 28 districts of the country are under the network coverage of PeoplesTel and the whole of the country will come under our coverage by next three months as we are working in full swing in this regard," TIM Nurun Nabi, managing director of People's Telecommunication and Information Services Ltd (PTISL), the company that owns PeoplesTel.

Speaking at a press conference in Dhaka he said presently the government does not allow PSTN operation in the capital. The Chittagong Hill Tracts areas will be brought under wire-line phone service.

"Our goal is to reach 1 million subscribers mark in the next five years as we are offering very low tariff rates as well as quality service to our subscribers," Nabi told the journalists, adding that now PeoplesTel's subscription base is 12,000.

He also said the company has established 6,000 kilometres of microwave link to bring all the major highways of the country under the company's coverage.

The rate for call from the commercial package of PeoplesTel to any mobile is Tk 1.40 per minute within the country.

He said both wire-line and wireless phone needed a line rent of Tk 150 per month. The wire-line subscribers will have to pay Tk 2,500 as collateral deposit. Wireless subscribers are to pay Tk 3,500 as connection fee.

Describing the future plan, Nabi said the PSTN operator has already invested Tk 130 crore and it has signed an agreement with a Malaysian company to invest more US \$66 million.

When asked about its investment source, Nabi said various local and international companies, including the London-based Global Coal Management Company, the new name of Asia Energy, are providing financial support to the operator.

Shamima Nabi, director of PTISL, Ahsan Ullah Chowdhury, chief operating officer of the company, among others, were present at the press conference.

HSBC bad debts hit \$10.6b

REUTERS, *London*

HSBC Holdings on Monday said its 2006 profits rose 5 percent, short of analysts' expectations, as Europe's biggest bank took a \$10.6 billion hit for bad debts after problems in its US mortgage lending.

HSBC reported a record 2006 pretax profit of \$22.1 billion, up from \$21 billion in 2005, but below an average forecast of \$22.4 billion in a poll of analysts by Reuters Estimates.

The bank, with headquarters in London, said there had been no further deterioration in its troubled US mortgage lending since it warned about the deepening problem a month ago, and it was confident the problems would not spread to other areas.

By 1045 GMT HSBC shares were down 0.2 percent at 885 pence, valuing the bank at 103 billion pounds (\$200.9 billion).

EXPORT OF 6M RMG PIECES TO INDIA

Delhi now offers preferential tariff instead of zero tariff

Local manufacturers lament

JASIM UDDIN KHAN

Garment manufacturers Sunday accused India of back tracking on its high profile pledge to allow duty free import of 6 million pieces of Bangladeshi ready made garments (RMG).

Instead, they claim, Delhi is only offering preferential tariff rates and attaching some conditions that the agreement is in danger of becoming meaningless.

"Six million pieces RMG is not that significant to the US\$10 billion earning Bangladeshi RMG makers. Bangladeshi producers will only be interested if the offer is for duty free access, otherwise it means nothing," said SM Fazlul Haque, outgoing president, Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

In a letter to the commerce ministry on November 8, 2006, Delhi urged Bangladesh to accept a

preferential tariff. When the offer was first made India had talked of duty free access. Delhi also demanded a quota monitoring system be set up.

Bangladesh has yet to respond to the Indian draft memorandum of understanding.

Apart from the apparent withdrawal of the duty free offer and the monitoring requirements, Bangladeshi RMG makers have also reacted to transport conditions Delhi wants to impose. Under these conditions, exports of RMG products are allowed only through six selected land ports.

With no current end in sight to the negotiations, garment exporters fear it could be at least a year before any agreement is reached. There are also concerns that India's imposing new non-tariff barriers will further weaken any eventual agreement, one exporter said.

A Bangladeshi government trade negotiator said the issue is becoming more sensitive as it runs the risk of being mixed up in discussions on a more wide ranging bilateral free trade agreement that India is pushing for.

Shipping Ministry attended the meeting.

According to the Indian draft, Bangladesh will be able to export six million RMG pieces if fabrics for three million pieces are imported from India while the rest will be either Indian or local.

Although the draft talks of preferential tariffs are on process, Indian ministers still use the term duty free in public. For example, on February 18 Indian External Affairs Minister Pranab Mukherjee announced a duty-free access for two million pieces of readymade garments to India from Bangladesh every year.

Talking to reporters at Zia International Airport prior to his departure for New Delhi ending his daylong visit to Dhaka, Pranab said both Dhaka and New Delhi agreed to take steps to place bilateral relations on an 'irreversible higher trajectory'.



PHOTO: STAR

Economist Dr Wahiduddin Mahmud visits a stall of 'Microcredit Fair 2007' after the inauguration at Bangladesh-China Friendship Conference Centre in Dhaka yesterday.

New markets needed for microcredit borrowers' products

Says Wahiduddin Mahmud as microcredit fair begins

STAR BUSINESS REPORT

Domestic and foreign markets need to be developed for the products of micro-credit recipients, economist Dr Wahiduddin Mahmud told a four-day fair on microcredit that opened in Dhaka yesterday.

"As some products made by the microcredit recipients and small entrepreneurs cannot be marketed locally, we need to bring the products to the capital. If necessary, we should take the products out into international markets," said Mahmud, chairman of governing body of Palli Karma-Sahayak Foundation (PKSF), the state run microcredit funding organisation.

Mahmud made the comments while inaugurating the exposition 'Microcredit Fair 2007', at Bangladesh-China Friendship Conference Centre.

"The range and activities of microcredit have been extended widely and it can be considered as

expansion of the microcredit recipients and small entrepreneurs PKSF is organising the fair where a total of 82 NGOs are showcasing their products and activities in 131 stalls. The fair will remain open to visitors from 10am to 8:30pm. The Daily Star, Channel i and the Ittefaq are media partners of the fair.

Acting Managing Director of PKSF Mosharraf Hossain Khan said the main objectives of the fair are to provide market access to micro entrepreneurs, extend markets and build a strong network among the service providing organisations.

Organisers said Chief Adviser of the caretaker government Fakhruddin Ahmed will attend a prize giving ceremony tomorrow. He will present awards to the three best partner organisations of PKSF. Dr Yunus will attend the concluding ceremony of the fair on Thursday.



Don't demolish alternative stairways of RMG units

BGMEA urges DCC

STAR BUSINESS REPORT

Leaders of the Bangladesh Garment Manufacturers & Exporters Association (BGMEA) urged the Dhaka City Corporation (DCC) not to demolish iron-built alternative stairways of garment factories.

They made the plea while a BGMEA delegation led by its President SM Fazlul Haque met with DCC Mayor Sadek Hossain Khoka at his office yesterday, said a BGMEA press release.

The BGMEA leaders informed the mayor that as per compliance it is mandatory for having two stairways in every garment unit to ensure the workers' safety.

But, in many factories, which were built long time back, there were no alternative stairways. So, the factories built iron-built alternative stairways later as per the compliance and demand of the international buyers.

The lower target makes clear the government's intent to "prevent people from single-mindedly competing for the fastest economic growth and thereby promote sound and rapid economic growth," the Cabinet's main planning agency, the National Development and Reform Commission, said in a report distributed with Wen's speech.

The robust expansion has created headaches for the government in managing investment, which authorities worry could spark a lending crisis. Wen said that controls on credit would remain in force while new development projects would get tougher scrutiny.

"There are still serious structural problems in the economy," Wen said, citing the trade imbalance and its byproducts, swollen foreign exchange reserves and a banking system awash in credit.

Total spending by the central government is scheduled to rise 14.4 percent to \$335 billion, according to a budget outline released by the Finance Ministry. It projected an annual deficit of \$31 billion, nearly 17 percent less than

2006 due to robust tax revenue collections.

Wen announced the government's usual, low economic growth target of 8 percent, well below last year's rate of 10.7 percent, the fourth straight year of double-digit growth.

Beyond social fairness, the emphasis on raising incomes is intended to help boost domestic demand, thereby reducing the economy's dependence on investment and the surging exports that have touched off trade friction with the United States and Europe.

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At the same time the boom has fattened government coffers. Tax revenues rose 24 percent last year and are projected to rise 15 percent this year, allowing for higher social spending.

China to focus on the poor

AP, *Beijing*

China's government announced hefty spending increases Monday to boost incomes and improve social services for the urban poor and the lagging, restive countryside this year while guiding the booming economy to more stable growth.

In 2007 budget plans unveiled to the national legislature, the government called for increases of 42 percent in education, 87 percent for medical care, 15 percent for rural areas and 14 percent for social security.

To limit harmful side effects of torrid economic growth on ordinary Chinese, Premier Wen Jiabao called for controls to be imposed to rein in soaring housing prices, reduce pollution and limit confiscation of farm land for real estate development.

The social-spending binge underscores commitments by Wen and Chinese President Hu Jintao to spread the fruits of China's stunning economic growth more evenly. The communist leadership faces a growing and politically volatile rich-poor gap. Protests have erupted over pension shortfalls, unemployment.

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Oil prices drop amid concerns over global economic outlook

AP, *Singapore*

Oil prices dropped Monday amid continued declines in Asian markets and concerns about the world's economic outlook.

"There's a general sort of recoil from risk in the market," said Tobin Gorey, a commodity strategist with the Commonwealth Bank of Australia in Sydney.

Light, sweet crude for April delivery fell 78 cents to \$60.86 a barrel in midmorning Asian electronic trading on the New York Mercantile Exchange.

"There are still ongoing ramifications from China's drop last Tuesday," Gorey said. "It was a jolt to the global economy."

Last Tuesday, the benchmark Shanghai Composite Index

plunged 9 percent, triggering huge losses on Wall Street and other global markets. Stock markets in Asia continued their slide Monday, with markets in Japan, the Philippines and India all down sharply.

The oil market has largely shown resilience closing at a two-month high on Thursday on the news of tightening gasoline supplies but drops on Friday and Monday again showed a link to the stock markets.

Oil prices are supported, however, by expectations for gasoline demand in the U.S. ahead of the peak spring and summer driving seasons. Problems at U.S. refineries have reduced output and cut into petroleum product supplies. Last week's U.S. inventories

report showed stockpiles of gasoline and distillates, which include heating oil and diesel fuel, dropped by a larger amount than analysts had forecast. Meanwhile, demand for products over the last four-week period rose by 7.5 percent from the same period last year.

Tensions between Iran and the United States also remain a bullish factor.

Washington is pushing for tougher U.N. sanctions on Tehran over its failure to comply with demands to halt its uranium enrichment program that the West fears could be used to build a nuclear weapon. Although the United States has said it has no plans to strike Iran militarily, it has also refused to rule out any option.

The punitive action was taken against Pharmaco International. Its Managing Director AKMA Matin, directors Rashida Matin, Zamir Uddin, AKMA Batin and AKMA Basit were fined Tk 100 lakh each for non-compliance of audited financial statements for the last fiscal.

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Conducted under an ADB

funded technical assistance titled "Improving the Efficiency of Transport Logistics in Dhaka-Chittagong corridor," the study analysed the systems from the viewpoint of shippers, importers and exporters.

The share of freight traffic in the corridor currently favours the roads, but rail and waterway transport may be cheaper and more energy efficient, the draft report prepared by the US-based Nathan Associates said, adding that a balance of the modes should be developed to realise the potentials of all the modes.

The study observed that overall informal payments and other inefficiencies add up to 40 percent to transport logistics costs for imports, significantly impacting on international trade. The rail and road links from the port to Dhaka are costly compared to international standards, the report revealed.

The key recommendations of the study include streamlining export-import documentation and procedures, improving port operations, establishing more inland container depots (ICDs) in the Dhaka area through private sector, completing the 4-laning of the Dhaka-Chittagong highway, double-tracking of the existing single railway line, and improving railway management.

The stakeholders suggested that a policy decision is needed to move all the container handling activities outside the port other than loading and unloading of vessels, complete the information links from port authorities to shippers and freight forwarders, and encouraging the private sector to build ICD capacity and related infrastructure on both ends of the corridor.

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