Star BUSINESS

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Importers seek support to offer used Japanese car at Tk 5 lakh

STAR BUSINESS REPORT

Pleading for a business-friendly policy, reconditioned car importers told a roundtable in Dhaka yesterday that this policy support would enable them to offer the middle class people a reconditioned vehicle such as Toyota Station-wagon at only Tk 5 lakh.

Meanwhile, environmentalists asked the government for a transportation policy so that the infrastructure can withstand the extra-pressure of the increasing vehicles in the cities.

The roundtable titled 'Reconditioned Car: Import Policy and Reality' was jointly organised by Shaptahik 2000 and Channel i at the National Press Club.

President of the Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida) Abdul Huq reiterated his demand for withdrawal of the ban on importing cars aged more than four years and allowing import of vehicles up to six years old besides heavy passenger/industrial vehicles.

He also sought a rational depreciation rate for the reconditioned cars saying that this rate should not be similar to the one applicable for a 4-year old car.

He said until 2002, a 50 percent depreciation rate remained effective and then the government set it to 20 percent for four-year-old cars and an embargo on import of cars more than four years old was imposed.

Citing an instance of Japanese reconditioned cars, he said quality of most of the cars remain intact years after their use, he said. As the car holders are not interested to sell four years old cars, it is difficult for Bangladeshi consumers to have those cars , he explained.

Pointing to other anomalies in importing reconditioned cars, he said once a reconditioned car is imported, it is first registered in the name of the dealers and then it is transferred to the buyer to register in the name of the owners, which is unlawful.

Registration should be in the name of the owners and importers are not owners, he argued.

PHOTO: STAR

Abdul Huq (L), president of Bangladesh Reconditioned Vehicles Importers and Dealers Association, speaks at a roundtable on 'Reconditioned Car: Import Policy and Reality' jointly organised by Shaptahik 2000, a weekly, and Channel i in Dhaka yesterday. Shykh Siraj (2-R), director (News) of Channel i, among others, is seen.

On alleged air pollution raised by some quarters, he said as the imported reconditioned cars are first tested in the country of origin and then exported, these cars should not be blamed for such pollution.

The pollution level also depends on the quality of fuel used in the cars, he said, adding that in most cases reconditioned cars are converted to CNG-run ones that are environment- friendly.

AQM Mahbub, chairman of Geography and Environment Department of Dhaka University, suggested that the government should formulate such a transport policy that would ensure accessibility and mobility.

Policy makers should keep in mind whether the existing infrastructure of the capital can sustain a possible pressure of at least 20 percent higher than the existing volume, he said.

Prof KM Maniruzzaman of Urban and Regional Planning Department at the Bangladesh University of Engineering and Technology (Buet) said before improvement in city infrastructure, policymakers should not opt for public transports.

Addressing the programme, Shykh Siraj spoke of the importance of reconditioned vehicles in creating mobility in the agro-based economy in the rural areas.

Arguing for low priced high quality vehicles for bringing in mobility in marketing of the agro-products, he said from Mymensingh district alone around 600 fish-loaded microbuses enter into the city during 12:00am to 6:00am every day.

Economist Prof Atiur Rahman expressed the hope that a policy support would have a positive impact on the country's reconditioned car market, which would ultimately benefit the economy.

President of the Workers Party of Bangladesh Rashed Khan Menon lamented that reforms are going on everywhere except in the economic affairs.

Acting Editor of the Shaptahik 2000 Golam Murtuza conducted the roundtable, while Organising Secretary of Bangladesh Business Forum in Japan MDS Islam, eminent journalist Syed Abul Maksud and Editor of the daily Vorer Kagoj Shyamol Dutta spoke on the occasion.

Tata Tea aims high

ANN/ THE STATESMAN

Tata Tea, which recently sold its stake in US energy drinks maker Glaceau to Coca Cola for nearly Rs 4,800 crore, on Thursday said it would buy about 46 per cent stake in Mount Everest Mineral Water Ltd for around Rs 210 crore to gain a foothold in the bottled water segment.

The beverages company has agreed to buy 25.74 per cent stake in MEMW for around Rs 115 crore and will acquire another 20 per cent later through an open offer.

The acquisition would be funded entirely through debt, Tata Tea chief financial officer, LK Krishnakumar said here.

"We have not decided on what kind of loan it will be, we have several proposals and have to evaluate those before taking any decision," he said.

Tata Tea will subscribe 50.99 lakh equity shares of MEMW on preferential basis at Rs 140 per share. This constitutes 15 per cent of the paid-up capital on a fully diluted basis at a total price of Rs 70 crore.

Further, Tata Tea will acquire 31.10 lakh shares held by Foresight Holdings Pvt Ltd and Vinod Sethi, promoters of MEMW, and Salim Govani, MEMW managing director, at Rs 140 per share.

This amounted to 10.77 per cent stake for around Rs 40 crore.

Tata Tea would also make an open offer within 100 days to buy 20 per cent stake at Rs 140 per share.

"We have identified water and beverages vertical as a big opportunity," Tata Tea managing director, PT Siganporia told reporters here.

Mount Everest Mineral Water, which owns the Himalayan brand of bottled water, was promoted by Dadi Balsara.

No economic slowdown for China after 2008

Says economist

ANN/ CHINA DAILY

China's economy will not suffer a slowdown, and the country will remain a developing nation, after the 2008 Olympic Games, according to a senior Chinese economist.

Lu Zheng, chief of the institute of industrial economics with the Chinese Academy of Social Sciences, said that fears of an economic slowdown after 2008 are unwarranted.

He made the remarks at the China-South Korea Development Forum, which was jointly held by China Business newspaper and the South Korean Mail Business Daily, on Wednesday in Beijing.

Lu said Japan took advantage of the Tokyo summer Olympics in 1964 to boost its economy and has become the world's second-largest economy since then. And South Korea joined the Organization of Economic and Cooperative Development, a club of developed nations, after Seoul hosted the 1988 games.

Between 2002 and August 2008, when the economic begins, the Chinese capital will invest 268.6 billion yuan on sporting venues, roads and subways and pollution treatment. While that seems like a large investment, in the same period China will spend 42.5 trillion yuan on fixed-assets investment.

Investments in Olympics-related projects are just 0.59 percent of China's annual investment, and Lu said the boost to the national economy should not be overvalued.

"China will not be like Japan in 1964 and South Korea in 1988 and become a developed nation. Its industrialization and modernization are far from complete, even after Beijing holds the Olympic Games," Lu said.

"Hosting an Olympic Games will not significantly boost the Chinese economy, so it will not be followed by a depression, and China will not become a developed country," Lu said.

There are some forecasts that the Chinese economy, particularly in Beijing, will shrink after the games.

This year, the world's fastest growing nation is expected to spend 12 trillion yuan on fixed-assets investment. The investment is forecast to grow an average of 20 percent annually.

Best Weatern plans 100 hotels in India

ANN/ THE STATESMAN

The world's largest chain of hotels, Best Western International (BWI) on Thursday announced its plan to expand in India by starting 100 hotels in the next 10 years.

The hotels would be set up under the leadership of BWI's master licensee Cabana Hotel Management Private Limited, which has 30 years of expertise. In Bangalore, the group would set up its premier hotel at Whitefield. The 225-room hotel with an investment in excess of $12 million is expected to generate employment for 100 people when it is completed by 2009.

Cabana would invest $1.2 billion, while BWI would provide its brand name and expertise in running of these hotels, Cabana co-chairman, Prabhu Goel, said. "The money has been raised through internal funding, but we will have some private equity and debt financing coming in after some time," he said.

Metal hammers higher, oil skids lower

AFP, London

Metal prices jumped higher this week as the US dollar struggled to find higher ground, while lead hit a record high on worries over critically low stockpiles and Chinese demand.

Oil prices fell as US refineries began restarting production following disruptions, but losses were capped by falling US crude reserves and geopolitical jitters in Nigeria.

Gold: The price of gold advanced. "The precious metals complex put in a positive performance," said Barclays Capital analyst Suki Cooper, adding that "gold prices rose as prices tracked dollar weakness."

On the London Bullion Market, gold climbed to 666.50 dollars an ounce at Friday's late fixing, from 655.30 dollars a week earlier.

Oil: Crude oil prices slid on an easing supply picture.

Brent North Sea crude for July delivery fell to 67.91 dollars per barrel on Friday, compared with 70.69 dollars per barrel at the close on Friday of the previous week.

New York's main oil futures contract, light sweet crude for delivery in July, sank to 64.33 dollars per barrel, from 65.20 dollars a barrel the previous week.

Several major oil companies, such as ConocoPhillips, Citgo and Valero, announced that problems at their refineries in the United States had been resolved.

And British energy giant BP's vast Prudhoe Bay oil field in Alaska was back to operating at full capacity after a recent water pipe leak.

London Brent crude had neared 72 dollars per barrel last week as traders fretted over below-normal levels of gasoline reserves heading into the peak-demand driving season in the United States.

Sucden analyst Michael Davies added: "The market continues to draw support from geopolitical concern and especially from civil unrest in Nigeria."

Nigeria is the world's sixth biggest crude producer and the biggest on the African continent, but unrest has cut the country's production by about 25 percent.

Sugar: Sugar prices fell. "Investors are still reluctant to take long term positions in sugar as fundamentals remain bearish on the prospect of a large global surplus for this season," Davies noted.

By Friday on the LIFFE, the price per tonne of white sugar for August delivery eased to 334 dollars, from 340 dollars a week earlier.

On the NYBOT, the price of unrefined sugar for July delivery slid to 9.25 US cents a pound, from 9.29 cents.

Grains and soya: Grains and soya prices rose as traders said that hot weather in key producers had cut crop output.

By Friday on the Chicago Board of Trade, the price of maize for July delivery jumped to 3.91 dollars a bushel, from 3.76 dollars a week earlier.

Wheat for July delivery climbed to 5.27 dollars a bushel, from 5.01 dollars.

July-dated soyabean meal -- used in animal feed -- increased to 8.14 dollars, from 8.13 dollars.

On the LIFFE, London's futures exchange, the price per tonne of wheat for November delivery increased to 103.80 pounds, from 102.75 pounds the previous week.

DBBL, Teletalk sign deal to offer SMS banking service

Clients of Dutch-Bangla Bank Ltd (DBBL) will be able to pay their mobile phone bills, check account balance, get mini statement and change PIN (personal identification number) by sending SMS (short message system) from their Teletalk mobile phones.

Besides, they will get such alert messages as periodic balance alert, debit alert, credit alert and promotional alert through their Teletalk phones.

An agreement to this effect was signed recently between the bank and the state-owned mobile phone operator, Teletalk Bangladesh Ltd, says a press release.

Moyen Uddin Ahmed, executive vice president and head of Card Division of the bank, and Golam Fakhruddin Ahmed Chowdhury, general manager of the mobile phone operator, signed the deal while other senior officials from both the sides were present.

PHOTO: DBBL

Dutch-Bangla Bank Ltd (DBBL) and Teletalk Bangladesh Ltd recently entered into an agreement under which clients of the bank having Teletalk mobile phones will be able to pay their cellphone bills and get some banking services through SMS. Moyen Uddin Ahmed, executive vice president and head of Card Division of the bank, and Golam Fakhruddin Ahmed Chowdhury, general manager of the mobile phone operator, signed the deal while other senior officials from both the sides were present.

GM US sales up 4.7pc in May

AFP, Chicago

General Motors Corp.'s US sales rose 4.7 percent in May to 375,682 vehicles as a new product lineup offset planned reductions in sales to rental car companies, the automaker said Friday.

"Our May results were extremely positive as we saw strong total and retail sales increases," said Mark LaNeve, vice president, GM North American Sales, Service and Marketing.

"Our significant market share gains in full-size trucks and crossovers (sports utility vehicles) validates the decision we made to invest in industry-leading fuel economy in these important segments."

Aminul Haque

Sirazul Islam

Prime Bank executive body's new chairman, vice chairman

Mohammad Aminul Haque and Quazi Sirazul Islam have been elected chairman and vice-chairman of the executive committee of the Board of Directors of Prime Bank Ltd.

They were elected unanimously for a two-year term at the recently held 268th meeting of the bank, says a press release.

Mohammad Haque is also the chairman of Prime Finance & Investment Ltd, while Quazi Islam is a member of the Federation of Bangladesh Chambers of Commerce & Industry.

Eurozone set for brisk growth

AFP, Brussels

The 13-nation eurozone economy is set for brisk growth this year despite losing some pace in the first three months, official data showed on Friday as unemployment fell to a record low point.

After finishing 2006 with the fastest growth in six years, the combined economy of the countries sharing the euro slowed in the first quarter to 3.0 percent over 12 months, the EU's Eurostat data agency said.

The rate, which was revised down from a first estimate of 3.1 percent, marked a slight slowdown from the final three months of 2006 when the eight-trillion-euro (11-trillion-dollar) economy grew by 3.3 percent.

On a quarterly basis, growth in the eurozone economy eased to 0.6 percent in the first quarter after hitting 0.9 percent in the final quarter of 2006, Eurostat said.

The data, adjusted for seasonal variations, were roughly in line with private economists' forecasts that the eurozone economy grew 0.6 percent in the first three months and 3.1 percent over one year.

Meanwhile, growth also cooled in the 27-nation EU in the first quarter, easing to 0.6 percent over one quarter and 3.2 percent over one year.

Growth was widely expected to slow slightly at the beginning of the year as consumers in Germany, the biggest economy in Europe, were hit with a full three percentage point increase in value added or sales tax.

"Eurozone growth was resilient in the first quarter, particularly given the sales tax hike in Germany, benefiting from impressively strong investment," said economist Howard Archer at consultancy Global Insight.

PHOTO: BEPZA

Prasanta Bhushan Barua, member (Investment Promotion) of Bangladesh Export Processing Zones Authority (Bepza), and Mohammed Hanif, managing director of Taiwan Bangla Specialized Textiles Ltd, sign a lease agreement recently in Dhaka. Under the deal, the company will set up a garment accessories manufacturing plant in Dhaka Export Processing Zone with an investment of US$1.842 million. Brig Gen Ashraf Abdullah Yussuf, Bepza executive chairman, among others, is seen.

Managing food security to sustain political transition

[This article summarises in two instalments a paper available at www.ergonline.org. The first part looks into the plausible reasons of price increase observed. The second part will address the future and immediate actions to face it so that the goals of political transition remain shared.]

SAJJAD ZOHIR

PART I

One may debate on whether Bangladesh's politics is in transition but all would agree that there has been a major departure from past trend in the politics since January 2007. One may only speculate whether some of the current actions against the 'untouchables' in the upper echelon in the society are 'eye-wash' actions or genuine. However, the commoners cannot recall even such 'eye-wash' actions in the past. And that's where the hopes are rooted, the basis of all our patience, which may however erode if the politics is not right. Since bad economics often lead to bad politics with subsequent adverse effects on the economy, this paper highlights some recent economic issues of concern, attempts to provide explanations of these, and proposes few suggestions to make the costs of transition bearable.

The central issue of concern is the unanticipated increase in food prices -- a threat to human livelihood in a country where more than 40 percent of the people have already been living in poverty. Increased vulnerability in food security is a threat to a smooth transition to political stability as well. Current estimates show that the rice price had risen by more than 35 percent over a period of the last five months, which corresponds with the trend in the international rice prices. One may identify several reasons for the price increase:

- Increase in domestic fuel prices (effective since 2nd April 2007);
- Increase in rice price in the international market;
- Disruptions in the market, as a result of the political transition, leading to inadequate engagements by the marketing agents, which subsequently led to supply shortfalls; and
- Presence of syndicate/cartel, which is currently getting quite a bit of attention of the media.

Let us discuss these in order

A recent ERG (Economic Research Group) paper concluded that the increase in domestic fuel prices would lead to 10 percent or more inflation. The paper noted that the upward adjustment in prices was long over-due; and this had nothing to do with the political changes. It is no more a speculation that the relative prices of energy resources vis-à-vis other commodities have increased worldwide by great margins and will remain at these high levels; and we have to come to terms with it. Most other countries in the world have gone ahead with this adjustment, and the sooner we do the better.

On the trends in international food market, a recent FAO brief on "Crop Prospect and Food Situation" (No. 3, May 2007) notes that "The tightening of the global cereal balance in 2006/07 has pushed up prices of all cereals"; and rice prices continue their upward trend since the start of 2007. Moreover, the rice stock with major exporters worldwide is already on decline, and it is projected to decline further in the coming year (2007-08); traded volume in the international market is projected to decline by 1.2 percent. While 7 low-income food-deficit countries (LIFDC) are listed to be deserving candidates for external assistance on account of increased import bills, Bangladesh is left out of the list!

Bangladesh's rice market currently operates in an import parity price regime, that is, the cost of making imported rice available in the domestic market dictates the rice price in the domestic market. The earlier benefits from excess food reserve in India are no more available to us. A comparative analysis of importers' responses suggests that the opportunity of buying rice early when the prices were relatively low and buying rice on time this year (January 2007) was partially lost; and the period coincides with political uncertainty.

It is also alleged that the natural functioning of the fertilizer market during the Boro season was partly disrupted due to 'excessive' control on mobility of fertilizer. The presumption was that spatial allocations (from factories) were made with perfect information that matched with regional demands for fertilizer. On the contrary, the reality may have been a biased allotment or misallocations (often associated with 'rent'), and the markets corrected these deviations through inter-market (district) transfers by private traders. Thus, extra vigilance to check those movements may have adversely affected market functioning and optimal allocation of inputs.

There is a third dimension to market disruption -- when some of the actors in the market are on the run, the regular commodity flows would be disrupted.

The three factors considered unintended fallouts of long-desired political transition, are deemed to have adversely affected aggregate supply, contributing towards increasing the prices. However, their aggregate contribution is only a marginal add-on to price increases due to increase in fuel prices and in the prices of food grain in the international market.

Within the broad perspective laid out above, there is little room for 'syndicates and cartels' to provide satisfactory explanation of additional price increase. On the contrary, putting such factors on the central stage may misguide politics, further aggravating the problems of transition. Let me briefly note the basics to argue for the position.

- Was the cartel absent before and did it surface over the recent past to cause price increase? There is no a priori reason to believe that cartels would be absent during regimes of uncontrolled corruption and would surface when vigorous drives were pursued against corruption.
- Could it be possible that there were cartels before and they consolidated to nullify all reform attempts? Earlier studies on rice market in Bangladesh had established that the market was competitive and spatially well integrated. As for wheat, experiences during the post-trade liberalisation period in the 1990's revealed that the individual flour mills preferred to rally behind big importers to ensure procurement of wheat from external sources. Bulk import reduces unit costs, which applies to most food imports by sea. In case, price setting behavior of few importers changed -- one may only trace it to a reduction in the number of players, and that too may be attributed to the market disruptions during political transition alluded to earlier.
- Finally, one does not require the presence of cartels in explaining why there is price difference between urban wholesale market and the retail market. One may rather take solace from the fact that the margins the consumers pay go to support the livelihood of many poor rickshawpullers and retail traders!

Imagine a situation where cartel is not the reason for price increase and oligopoly (finite number of suppliers) exists naturally because of certain compulsions in the market. What happens if the government acts on the presumption that cartels are the cause of price increase? Hopefully, poor economics will not lead to bad politics!

The writer is executive director, Economic Research Group