International Business News

Airlines have lost $1.7b due to ash: IATA

AFP, *Berlin*

Airlines have lost around 1.7 billion dollars after a "week without revenue" because of the chaos caused by volcanic ash, the head of the International Air Transport Association (IATA) said Wednesday.

At the height of the upheaval on Saturday and Sunday, carriers were losing 400 million dollars per day, Giovanni Bisignani told reporters in Berlin, calling an earlier estimate of 200 million dollars per day "conservative."

Including costs to the airlines such as providing accommodation to stranded customers, food and alternative modes of transport like buses, the sector is left with a bill of around 1.7 billion dollars, Bisignani said.

"We've seen a week without revenue but that has not stopped the costs," he said.

He said that in Europe "governments must take their responsibility" and help the carriers, calling the firms victims of "an act of God, completely out of the power of the airlines."

European air travel was slowly returning to normal on Wednesday after volcanic ash drifting from an eruption in Iceland prompted a shutdown last week that left millions of passengers stranded and hit the economy.

IMF proposes global bank tax plans

AFP, *London*

The International Monetary Fund has proposed two new global taxes on banks and other financial institutions to cover the cost of future bailouts, the BBC reported.

The measures would see all institutions pay a bank levy as well as a further tax on profits and pay, which would aim to protect against future financial meltdown, said the broadcaster Tuesday, citing a leaked IMF report.

Governments of the Group of 20 advanced and developing countries -- which account for more than 85 percent of the global economy -- received the documents Tuesday, said the BBC.

Finance ministers would discuss the proposals this weekend, it added.

Insurers, hedge funds and other financial institutions would also be required to pay the taxes under the IMF proposals, despite the fact they were less implicated in the recent financial crisis.

This was to prevent banks reclassifying activities they currently carry out as other services -- such as insurance or hedge-fund services -- in an effort to avoid the levy.

AFP

Harley-Davidson motorcycles are offered for sale at Chicago Harley-Davidson on in Glenview, Illinois on Tuesday. Harley-Davidson Inc. reported a 72 percent drop in first-quarter earnings as motorcycle sales remained sluggish in the battered US Economy.

Greek bond yield soars to record high above 8pc

AFP, *Paris*

The yield on Greek 10-year bonds soared above 8.0 percent on Wednesday, the highest level since Greece joined the eurozone, increasing pressure further on the Greek government to seek help from the EU and IMF.

The interest rate demanded by investors to hold Greek debt rose to 8.279 percent at 1150 GMT compared to 7.851 percent late on Tuesday. Just a month ago, the yield hovered around 6.3 percent.

The spread, or difference, between the yield demanded for German bonds, which are considered a safer investment, and Greek bonds widened to 5.19 percentage points from 4.76 points on Tuesday.

This means Greece must pay a much higher premium than Germany to borrow money that it needs to cover its public deficit.

The Greek bond yield surged on the same day as Athens began talks with officials from the European Union and IMF on rescue loans which the heavily indebted country may need to avert partial default.

Malaysia auto sales surge 25pc in March

AFP, *Kuala Lumpur*

Malaysia's auto sales surged 25 percent year-on-year in March, an industry group said Wednesday, as consumer confidence rose in Southeast Asia's biggest passenger car market.

The Malaysian Automotive Association (MAA) said sales of new motor vehicles increased to 56,139 units in March, up from 44,896 in the same month last year.

The group added that it expected sales to continue to rise with "production being stepped up to meet the growing demand."

"Sales in March continued its upward trend. Market sentiments and consumer confidence continued to improve," MAA said in a statement.

Total sales from January to March was 147,415 units. MAA hopes vehicle sales will hit 550,000 for the year 2010.

INVESTMENT

Influx of shoemakers

EU steps against China drive global companies to Bangladesh

SAJJADUR RAHMAN

Global shoemakers are rushing to Bangladesh to keep up business growth following extension of the European Union's antidumping duties on shoe imports from China.

At the end of 2009, the EU extended for 15 months a 16.5 percent punitive tax, which was first introduced in October 2006 on the import of Chinese shoes with leather uppers.

Pou Hung Industrial (Bangladesh) Ltd, owned by the world's largest shoe maker Pou Chen Group, is working in full swing to start production next month at its nearly Tk 500 crore factory at the Karnaphuli Export Processing Zone.

Korea-based giant Youngone Group is also setting up a massive shoe factory at Karnaphuli EPZ in Chittagong at a cost of $110 million.

Another Taiwanese shoe giant Paolo Footwear Company has been making shoes at the EPZ for months now.

"Many more Chinese and Taiwanese companies are in the pipeline to come to Bangladesh," City Huang, president of Paolo Footwear Company, told The Daily Star.

Paolo is making renowned brands for women, such as Faith, Evans, Matrix and Caprice. Huang came here after reading a book by Nobel laureate Muhammad Yunus some years back.

"Part of the reason for us to come here is that there are no duties on shoes made in Bangladesh," said Huang.

According to the Paolo president, China exported 1.3 billion pairs of shoes to the EU between 2004 and 2008.

Pou Hung Industrial (Bangladesh) Ltd hopes to go into production next month.

"The machines have already been set up at the factory. Some 1,000 employees have also been recruited," Abul Kalam Azad, assistant manager of Karnaphuli EPZ, told The Daily Star.

SAJJADUR RAHMAN

Pou Hung Industrial (Bangladesh) Ltd works in full swing to start production at Karnaphuli Export Processing Zone next month.

The factory is being built on 16 plots spread over 32,000 square metres of land. Over 3,500 employees will be accommodated there.

Pou Chen Group produces shoes for Adidas, Reebok and Nike. The group continues to expand and diversify product categories and increase investment in the footwear-related business, according to data on the group's website.

The group has come to Bangladesh because of the imposition of antidumping duties on the import of Chinese shoes by the EU.

Mahmud Hasan, general manager of Karnaphuli EPZ, is excited to see globally renowned companies coming into Bangladesh.

"Pou Hung wanted more plots to build a big factory here, but we could not provide so," he said.

Scarcity of land is a big problem in Bangladesh, identified Huang.

"If you can resolve the land and transportation problems, your country will fill with Chinese and Taiwanese companies," he said.

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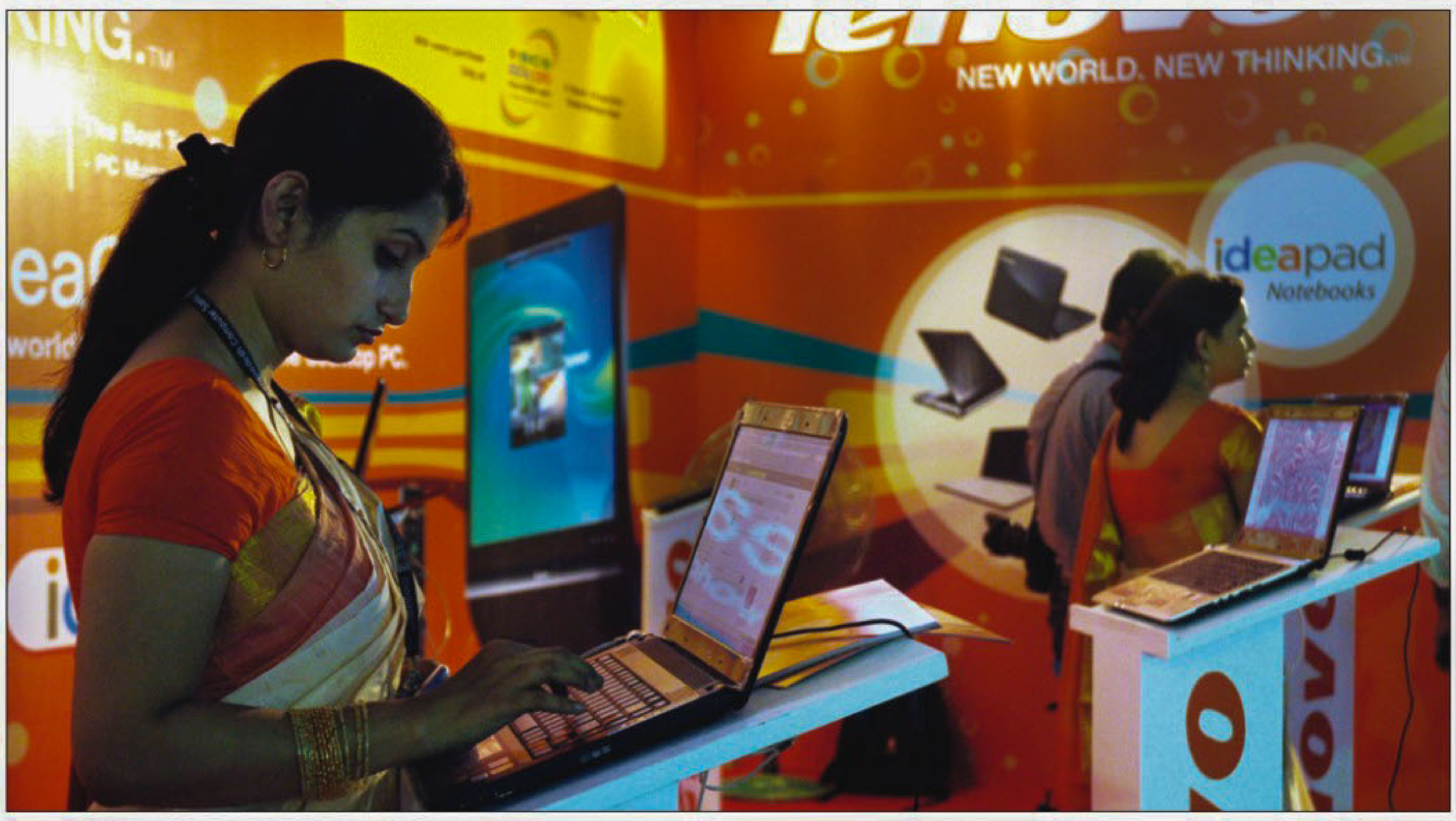
COLUMN HABIBULLAH N KARIM

Budget jolt for ICT sector

The manifest brand of the present government is 'digital Bangladesh'. The other moniker 'din bodoler sarker' has contended for currency but has faded in the background, while 'digital Bangladesh' branding surged ahead. Everything the government tries to do is labelled 'digital'. Sometimes it is misleading as in 'digital time' epithet assigned to the daylight savings time introduced last year and sometimes it is unflattering as in 'digital darkness' attributed to the intolerable power outages due to yawning gaps between power demand and generation. However, on the technological plane, 'digital Bangladesh' is the defining phrase characterising the changes for a better life for all and on the demographic plane the phrase delineates the dreams and aspirations of the young generation -- the boys and girls who have just become adults and who exercised franchise rights for the first time in the last parliamentary election.

The Awami League-led alliance government will be presenting the second budget of its tenure in less than two months from now. As all things of the present government are being looked at from the perspective of 'digital Bangladesh', it is no wonder that 'digital Bangladesh' figured prominently in the first budget of the government last June. The finance minister's budget speech hinged on the promise of delivering 'digital Bangladesh' by 2021 and the government allocated Tk 100 crore for ICT development. That was last year before the government approved the ICT Policy 2009. This veritable policy document clearly brings out the 'digital Bangladesh' agenda through a cogent singular vision for equitable development, ten core objectives cutting across all major socio-economic sectors, 56 strategic themes outlining all major areas for development and 306 work programmes showing exactly how the objectives can be achieved in ten to eleven years. Armed with this policy directive approved by the cabinet in July 2009, the finance minister can certainly make the 'digital Bangladesh' agenda mainstream and inject much needed financial jolt to ICT (information and communication technology) developments in all planes.

The ICT Policy 2009 mandates that the government has to allocate 5 percent of its development budget for ICT developments including ICT infrastructure, e-government applications, rules of business adaptations, IT services, etc., while 2 percent of the revenue budget has to be allocated for operations, maintenance, upgradations and ongoing IT services procurements. These



STAR

A stall attendant checks out a laptop at a recent ICT fair in Dhaka. The next budget must be bold in its financial allocations, regulatory sanctions and implementation directives for the development of the ICT sector, say analysts.

two stipulated allocations come to more than Tk 3,000 crore based on current budgetary figures. In the last budget, all ICT related allocations (ministries/divisions of science and ICT, post and telecoms, information, cabinet, establishment and Prime Minister's Office) came to less than Tk 500 crore. It would be interesting to see how much the finance minister allocates this year for ICT-related expenditures.

With nearly a third of the government's tenure gone by the time of the second budget, the people of the country are getting pretty restless on the promised deliverables for a 'digital Bangladesh'. The second budget has to make a dent in that by providing financial guidelines for wholesale implementation of the 'much-ballyhooed vision' in clearly defined phases. All ministries and offices must be given 'digital' goals to be met within the next fiscal year and the next and so on until a recognisable outline of 'digital Bangladesh' becomes discernible.

On the taxation and regulatory side, the budget must provide clear incentives for going 'digital'. The private trade and industry need to be given a clear signal that the government is sincere and serious about promoting a 'digital' way of life. The government can do so through a number of taxation and regulatory instruments. The first is to accelerate the depreciation rate on investments in computer hardware and software to at least 50 percent a year from the current level of 30 percent. This will allow private businesses to freely invest in IT and thereby increase their productivity and competitiveness in a harsh global economic environment. By comparison, many nations including our neighbours allow 100 percent depreciation on IT expenditures. For the software and IT services industry, the incentive of income tax exemption allowed till 2011 should continue until 2015. However, more importantly the pre-shipment inspection (PSI) requirement should be abolished for all IT products, especially mainstream computer hardware and software items. The PSI is a pain-in-the-neck non-tariff barrier to the free movement of much needed technological tools and gadgets for the software and IT services industry. For example, PSI for a shipment of software tools worth $1,000 will cost more than a hundred dollars (more than 10 percent of the value) and the shipper will charge another two hundred dollars for the extra documentation, thereby costing the importer 30 percent extra. If he forgoes the PSI then the customs will impose a penalty of 50 percent. This double-edged hassle is costing the IT industry dearly. The PSI is a relic of the past and is an instrument of the old school management-by-mistrust governance model, which has no place in a sovereign democratic polity. It can be done away with, in phases -- first by not requiring PSI for shipments worth less than a certain floor amount, say $10,000, in the next budget year and then raising the floor each subsequent year by $10,000 and finally abolishing it all together in three to four years. In today's wired world it is not difficult to learn the value of any goods imported into the country and therefore the fear of losing customs revenue without PSI is unfounded.

The first digital Bangladesh budget was bold in its vision and direction -- the second digital Bangladesh budget must be bold in its financial allocations, regulatory sanctions and digital Bangladesh implementation directives. Let the band rolls begin.

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