

International Business News



The picture shows the South Africa's first high-speed train, Gautrain. The line opens today in Johannesburg three days before the opening match of the 2010 World Cup. The \$3 billion Gautrain project has been dogged by a series of problems since work began in September 2006, including strikes and excavation snags, and only one stretch of the line will open for business this week.

Cut cross-border red tape to promote Asean trade

Southeast Asian nations must coordinate efforts to cut cross-border red tape and promote regional road transport as they move towards a common market, industry players said Monday.

Better links among the 10-member Association of Southeast Asian Nations (Asean) could reduce transport costs while boosting intra-regional trade and economic welfare, they said.

Asean is working towards establishing by 2015 a single market and manufacturing base of about 600 million people.

But business leaders and other experts at an international forum said there are still too many bureaucratic hurdles to a free flow of regional goods.

"There is no holistic approach to the supply chain from the governments' perspective, from any government's perspective," said Steven Okun, vice-president for public affairs with Singapore-based shipping firm UPS.

Finmeccanica, Boeing to bid for White House copters

Italian aerospace group Finmeccanica is to link up with US aerospace company Boeing to mount a joint bid to replace the US presidential helicopter fleet, the newspaper *Il Sole 24 Ore* reported on Monday.

"The two companies have reached a first important deal on participating in the tender for the new (US) presidential helicopter with the AugustaWestland 101 model," the financial daily said.

AugustaWestland, a Finmeccanica subsidiary, won a contract in 2005 to build the new presidential helicopter fleet with US defence giant Lockheed Martin, but US President Barack Obama scrapped the project because of budget overruns.

If the Boeing-led consortium wins the contract, the helicopter would be produced at the Boeing factory in the eastern US city of Philadelphia, according to *Il Sole 24 Ore*.

Finmeccanica would not comment on the report, but a source familiar with the negotiations said the two companies would issue a joint statement on Monday.

Malaysia calls for measures to halt oil price fixing

Malaysian Prime Minister Najib Razak on Monday called for a mechanism to prevent oil price manipulation, saying high prices could derail the global economic recovery.

"In this respect, proposals for greater oversight of financial markets aimed at preventing price manipulation should be welcomed if they lead to a more efficient and robust price formation," he told an industry gathering.

Oil prices edged to around 80 dollars a barrel last October but have fallen recently, sinking below 70 dollars in Asian trade Monday as a weak US jobs report continued to hurt investor sentiment.

New York's main futures contract, light sweet crude for delivery in July, fell 1.82 dollars to 69.69 dollars a barrel in morning trade.

Najib did not speculate at what range oil prices should be in his speech in Kuala Lumpur.

"We should not let this fixation on what is an 'appropriate' price level detract us from the more important task of ensuring that oil prices do not diverge from their underlying market and economic realities," he said.

Indian airline Kingfisher to join oneworld alliance: BA

India's leading airline, Kingfisher, will join the oneworld airline alliance and launch a partnership with British Airways, alliance executives said here on Monday.

"In just five years, Kingfisher Airlines has become the first airline in India with more 380 daily destinations," British Airways chief executive Willie Walsh told a press conference.

"We will sign a code sharing in Europe for implementing later this month," he added.

Code sharing allows airlines to offer services provided by partners and thus expand their networks.

With Kingfisher on board, the oneworld network will expand to some 800 destinations in almost 150 countries, with the addition of 56 Indian cities.

INTERVIEW

Hope for an industrial hub

Unido DG says Bangladesh on track

JASIM UDDIN KHAN

Bangladesh can become an industrial hub of Asia as the country has a proven capacity in textile, food and pharmaceutical industries, says the chief of a United Nations body.

Kandeh K Yumkella, director general of the United Nations Industrial Development Organisation (Unido), also says the country needs to adopt green technologies to make its growing industrial sector sustainable.

"You have a proven capacity to be a manufacturing hub that can make products not only for domestic use but also for trading internationally," says Yumkella who came to Bangladesh on Sunday on a three-day state visit.

He says other emerging economies in Asia are looking for a regional industrial hub, which Bangladesh has the potential to become, and Unido wants to provide support in making it.

"I am also here to see how to create some opportunities for South-South-cooperation with India and other emerging economies in the region. They are also looking for a manufacturing hub."

Yumkella says Bangladesh has the right plan of action to become a regional industrial hub, and the development partners in cooperation with the UN agencies are ready to provide all-out support to the country in achieving the target.

Praising the government's ambitious 'Vision 2021', the Unido DG says Bangladesh has the right policy in place to give incentive to the foreign investors and bolster their confidence.

"Unido wants to support the vision that requires rapid industrialisation to create jobs and wealth."

Referring to the Unido plan to make readymade garment industry sustainable, Yumkella says the UN body will help establish a National Cleaner Production Centre (NCPC) in Bangladesh so the industries of the country

become energy efficient and environment friendly.

The NCPC will conduct regular inspection at factories to ensure efficient use of energy, water and other natural resources.

The centre will also help establish effluent treatment plants to manage industrial waste and dyeing, the Unido chief says.

He says the NCPC will be a homegrown institution with supports from the development partners who will make available the resources of the best industrial practices.

Unido is already supporting the textile and garment sector in Bangladesh. Yumkella says it has several projects in the country to help improve designs for garments and develop entrepreneurship.

"Now what we want to do is to complement our programme in this sector with advisory services on sustainability."

The Unido will help the factories cope with energy crisis, optimise water use and reduce effluent, he says.

About introducing renewable energy projects, Yumkella says the Unido will provide solar panels to the community health care centres.

"We have offered help to the Bangladesh government so it can introduce solar energy to the community health care centres to make it popular," he says.

Yumkella says the UN is encouraging the private sector across the world to come and invest in Bangladesh.

"We have begun encouraging private sector to invest in Bangladesh so local companies can assemble the renewable energy products."

He says the Unido will also promote Bangladesh as a good manufacturing hub.

Yumkella, who is on a 15-day visit to Asia, met the prime minister, health minister, industries minister and other dignitaries. He will leave Dhaka today for Colombo and Tokyo.

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Kandeh K Yumkella

ECONOMY

Troubled Hungary eyes budget cuts

REUTERS, Budapest

Hungary's government vowed to cut spending on Monday as it strove to repair damage from comments last week about a possible Greece-style debt crisis, but a renewed pledge of tax cuts kept markets on edge.

Economy Minister Gyorgy Matolcsy said the country's new centre-right Fidesz government, which took office on May 29, would stick to the budget deficit target of 3.8 percent and would need to cut spending worth 1.0-1.5 percent of

similar fate to Athens, but added "it is blatant that Hungary is not Greece".

Economists say last week's comments from officials appeared to be a case of the new government preparing to backtrack on promises made before it swept an April election.

But they said mixed messages, and previous statements that this year's budget deficit could be as high as 7 percent of GDP, continued to sow confusion.

"One cannot help being puzzled when Hungarian officials talk about a

Hungary's Baa1-rated government bonds were on negative outlook.

Citing unnamed sources, online news portal Index reported the government was considering levying a special tax on banks and channelling private pension funds to the state system as a way to boost revenues and hit its budget deficit goal.

Neither the government nor banking officials were available to comment, but the report sent shares tumbling 5 percent on the Budapest bourse, which briefly suspended trading in leading lender OTP Bank after its shares fell 10



A homeless man waits for donation in front of the Budapest bank centre in downtown Budapest yesterday. Hungary's new government pledged to keep its finances under control after comments by senior officials the country was broke rocked the markets, the euro and investor confidence.

gross domestic product (GDP) to do so.

But he later said the government could introduce a flat personal income tax for families, lower than current rates, which would be hard to square with commitments agreed under a 2008 bailout from the European Union and International Monetary Fund.

Moody's credit rating agency said the government's willingness to consider unorthodox measures was cause for concern, while other analysts said Fidesz was still sending mixed messages to international and domestic audiences, a practice which prompted the selloff that sent the forint to a one-year low last week.

"We'll stick to our 3.8 percent budget deficit level for this year. It was agreed by the IMF and the EU and it was also agreed by the Hungarian government so there is no doubt about that, we'll stick to that figure," Matolcsy told CNBC.

He repeated that there were blunders in government communication last week, when officials suggested there was a slim chance Budapest would avoid a

much larger than planned budget deficit and at the same time rule out austerity measures and instead promise tax cuts," said Danske Bank analyst Lars Christensen.

The government started a three-day meeting on Saturday and is expected to decide on an action plan on Monday.

Most economists say Hungary is in a much stronger position than Greece. Its deficit and debt ratios to GDP are not nearly as high; public debt was about 80 percent last year, compared with 133 percent projected for Greece this year.

It also ran a current account surplus last year and had a budget gap of 4 percent after deep spending cuts.

But Moody's said the government's statements and its consideration of unorthodox measures to boost growth brought new attention to Hungary's still high public and external debt.

"In our view, these uncertainties threaten to further impair Hungary's creditworthiness," Moody's analyst Dietmar Hornung said, adding

percent. At 0950 GMT, OTP was down 1.2 percent.

Markets steadied, with the forint hovering just off a one-year low, keeping pressure on regional peers like the Polish zloty. Concern over Hungary also helped drag the euro to a four-year low against the dollar on Friday.

The yield that investors demand to hold Hungary's 3-year government bonds rose by 15 basis points from Friday to 5-month highs at 7.25 percent, while 5- and 10-year yields stayed near 9-month highs.

"The market will return to normalcy once again," one fixed income trader said. "(But) it will take much longer than the weakening took."

Economy Minister Matolcsy said that by end-May the budget deficit had reached 87 percent of the full-year target but the government would keep it under control. While there was no need for an austerity package, having a fiscal stimulus package was not an option now.

Demand for cuts in car import duty

STAR BUSINESS REPORT

Car importers have urged the government to restructure the duty slab in the upcoming budget to ensure the availability of more quality cars at affordable prices in the market.

They suggested developing transportation infrastructure should be focused rather than imposing high taxes on the vehicle. The duties currently in place on the imports of different cars range from 103 percent to 821 percent.

To import a 1500cc car, the traders have to pay 103 percent in duties altogether. However, to import cars between 1600cc and 2000cc, they have to pay 250 percent in duties.

"Such a slab should be removed," said NAT Rouf, director of DHS Motors, the sole distributor of Honda cars. "This fiscal year, we could not import quality cars because of the high taxes."

Citing an example, Rouf said with 103 percent duty, a 1500cc car can be sold at Tk 20 lakh, while customers have to pay Tk 43 lakh for a 1600cc car due to the tax slab.

The duties, as set by the national budget for fiscal year 2009-10, are 250 percent for cars between 1600cc and 2,000cc, 350 percent for cars between 2,750cc and 4,000cc and 500 percent for the cars above 4,000cc.

The importers bringing minibuses up to 1,800cc have to pay 20 percent duties, while hybrid cars up to 2,000cc were kept outside the purview of the tax structure of the outgoing fiscal year.

Md Habibullah Dawn, president of Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), said in the last 10 months, the traders of used cars imported only forty-three 2000cc cars, while 838 units were imported a year earlier.

The Barvida chief pointed out that the government had lost around Tk 450 crore in taxes by imposing 350 percent duties on the cars between 2000cc and 3500cc. "We urged the government to cut the tax to 150 percent."

Pointing to the 821 percent duties on the imports of the cars above 4000cc, he said such abnormally high tax has resulted in almost a zero import of such cars.

Dawn also suggested the government introduce a clear definition of recondition vehicles so that importers can bring more quality cars to the market.

Md Munir Uddin, deputy general manager (head of operations) of Rangs Ltd, said car imports did not drop after the high duties were imposed, and it rather increased in a sense. Rangs Ltd is the sole distributor of Mitsubishi Motors in Bangladesh.

He said demand for cars is increasing by the day, as the economy is growing. Under these circumstances, the government should concentrate on improving the traffic systems, then on imposing high taxes.

During July-April, more than 23,000 cars were imported.