

STOCKS		COMMODITIES		ASIAN MARKETS			
DGEN - 1.22% 6,455.80	CSCX - 0.32% 11,656.42	Gold \$1,435.88 (per ounce)	Oil \$108.13 (per barrel)	MUMBAI - 0.16% 19,669.87	TOKYO - 1.06% 9,615.55	SINGAPORE + 0.20% 3,146.75	SHANGHAI + 1.34% 2,967.41

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# BUSINESS

DHAKA WEDNESDAY APRIL 6, 2011, e-mail:business@thedailystar.net

## Transit: an explainer

REFAYET ULLAH MIRDHA

Bangladesh cannot charge any fee for giving the right of transit and transshipment to other countries, but can collect other service charges and administrative costs in line with the World Trade Organisation (WTO) rules, experts said yesterday.

According to international practices, Bangladesh will receive service charges for across-the-country transports along with different regular service charges such as administrative costs, port use costs, health and environment costs, noise pollution costs, infrastructure development costs and others, they added.

International practices make it mandatory for a country to provide transit and transshipment facilities to another country if it is disadvantaged and landlocked.

The transit providing country needs to develop infrastructure, recruit extra staffers and develop ports to help deliver the additional services, they said.

Transit is the movement of passengers or goods on the way to a destination and transshipment is transfer of a shipment from one carrier, or more commonly, from one vessel to another.

"No country can collect fees only for giving the right of trans-

shipment and transshipment; it is the violation of international norms. But all other appropriate charges are applicable," said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

"According to the international norms, one country should not exploit the disadvantages of other people. This is why the question of transit and transshipment comes."

He said the north-eastern region of India is landlocked and in a disadvantageous position.

Bangladesh can collect administrative and other expenses from Indian vehicles and vessels for using its territory, he added. "The country can be benefited indirectly."

Manzur Ahmed, an adviser to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said collecting fees in exchange of services is a global practice in case of providing the transit and transshipment facilities.

The WTO rules clearly define how a country can collect fees from transit and transshipment, he said.

The same rules will be applicable for India, although it is a single country business, he added.

Ahmed said, according to international rules, it is mandatory if a landlocked country demands transit and trans-

shipment facilities through the territory of another country.

Syed Saifuddin Hossain, a senior research fellow of Centre for Policy Dialogue (CPD), said no country can collect fees only for giving the transit right.

For example, he said the Switzerland government collects infrastructure charges, administrative costs and other charges for transit and transshipment.

Similarly, the Tanzanian government collects fees from the Dar es Salaam corridor users, he said.

According to General Agreement on Tariffs and Trade (GATT), a country cannot deny transit facility if another country wants to carry goods through its territory, Hossain said.

In this case, no country can collect transit fees or make unnecessary delay, except those of transport and other administrative costs.

The GATT also states that all charges and regulations imposed by the contracting parties should be reasonable.

Recently, comments from a senior adviser to the prime minister created buzz in newspapers.

Prime Minister's Economic Adviser Mashirul Rahman had termed collection of fees from transit and transshipment as "uncivilised and illiterate".

reefat@thedailystar.net

## No more lending cap

### BB governor tells businessmen

STAR BUSINESS REPORT

The central bank governor yesterday ruled out the possibility of reimposing a lending cap, but said the regulator will continue "moral suasion" on banks to keep the interest rate on working capital to industries below 15 percent.

Bangladesh Bank (BB) rejected the demand of businessmen when a delegation of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) led by its President AK Azad met Governor Atiur Rahman.

The FBCCI leaders also briefed the BB governor on problems such as the high interest rate on working capital.

The central bank has recently withdrawn the 13 percent lending cap except on agricultural and industrial term loans.

The International Monetary Fund and the owners of private banks had long been putting pressure on the government to lift the cap.

The businessmen said the banks have been suffering from a dearth of foreign currency and liquidity. However, the BB denied the claim, saying it was a political propaganda.

After the meeting, BB Deputy Governor Nazrul Huda said to the journalists: "We have told the businessmen that the central bank will not re-impose the lending cap. However, in future we will consider

whether a cap can be imposed on working capital but not right now."

In the meeting, the BB officials said they received allegations that some banks are charging 16 percent or more interest on working capital. The BB will hold a meeting next Sunday with the chief executives of the commercial banks and will request them to keep their interest rate at 15 percent or below.

The central bank will continuously monitor the matter and if any bank charges more than 15 percent interest on working capital, the central bank will impose the lending cap, a BB official said.

The BB governor told the businessmen that the regulator will soon take steps to keep the interest rate on working capital at a tolerable level.

Nazrul Huda also denied that there was a liquidity crisis. The amount of excess liquidity with the banks is Tk 24,057 crore now, he said. Every day Tk 3,100 crore is transacted in the call money market. The interest rate on the call money market is maximum 6.25 percent in the private banks.

The BB governor told the businessmen they are facing pressure due to various monetary policy measures and credit policy taken for the sake of economic stability and balance. The pressure is temporary, he said. "These do not reflect the weaknesses of the economy, rather these are fast growth pains," Rahman added.

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