

| COMMODITIES | | ASIAN MARKETS | | CURRENCIES | |
|-------------|----------|---------------------------|--------------------------|------------|----------|
| DGEN | CSCX | Gold | Oil | MUMBAI | TOKYO |
| ▲ 1.75% | ▲ 2.22% | \$1,662.30 (per ounce) | \$104.95 (per barrel) | ▲ 0.76% | Closed |
| 5,098.90 | 9,723.08 | | | 17,318.81 | |
| | | | | SINGAPORE | SHANGHAI |
| | | | | ▼ 0.10% | Closed |
| | | | | 2,978.57 | |
| | | | | | |
| | | | | USD | EUR |
| | | | | 81.25 | 105.81 |
| | | | | GBP | JPY |
| | | | | 131.59 | 1.00 |
| | | | | BUY TK | 82.25 |
| | | | | 109.84 | 135.60 |
| | | | | SELL TK | 1.07 |

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star BUSINESS

DHAKA TUESDAY MAY 1, 2012, e-mail: business@thedailystar.net

India to resume cotton export

REFAYET ULLAH MIRDHA and PALLAB BHATTACHARYA

India, the second largest producer of cotton, yesterday lifted a ban on cotton export, at a time when Bangladesh is lobbying with Uzbekistan to strike a deal to ensure smooth supply for local spinners.

Bangladesh, which is fully dependent on imported cotton, went for an alternative to Indian as the neighbouring country has been frequently imposing ban on the export of the item for the last two years.

A delegation led by Commerce Secretary Ghulam Hussain is already scheduled to leave for Uzbekistan on May 4 to seek a state-level deal to reduce dependence on India.

India came up with the restriction several times last year and this year. The latest one came on March 5 mainly to build up the country's domestic stocks.

However, Bangladeshi spinners welcomed the yesterday's decision.

"The dependence on Indian cotton is increasing due to the country's geographical proximity. It takes shorter lead-time if we import cotton from India. Of course, the latest move is a positive sign for us," said Jahangir Alamin, president of Bangladesh Textile Mills Association.

Production in the local spinning sub-sector faces troubles due the frequent changes in India's decision.

This time India changed its



Indian farmers rest on bails of raw cotton loaded onto trucks as they wait in line at the Enumamula Grain Market in Warangal District, some 150km from Hyderabad.

decision amid protests from its traders and on forecast of a higher yield, said a Bloomberg report, quoting Commerce Minister of India Anand Sharma yesterday.

Sharma said the traders can register for fresh shipment contracts within a day or two.

Sharma told this to journalists in New Delhi after a meeting of a panel of ministers headed by Finance Minister Pranab Mukherjee, according to the Bloomberg report.

Another reason for the previous ban was that exports surged 9.5 million bales (a bale weighs 170 kilograms or 375 pounds), the quantity that surpassed government estimates.

"Based on the revised estimates of cotton production by the Cotton Advisory Board as well as the agriculture ministry, we have decided to remove the suspension on registration of cotton exports," Bloomberg quoted Sharma as saying.

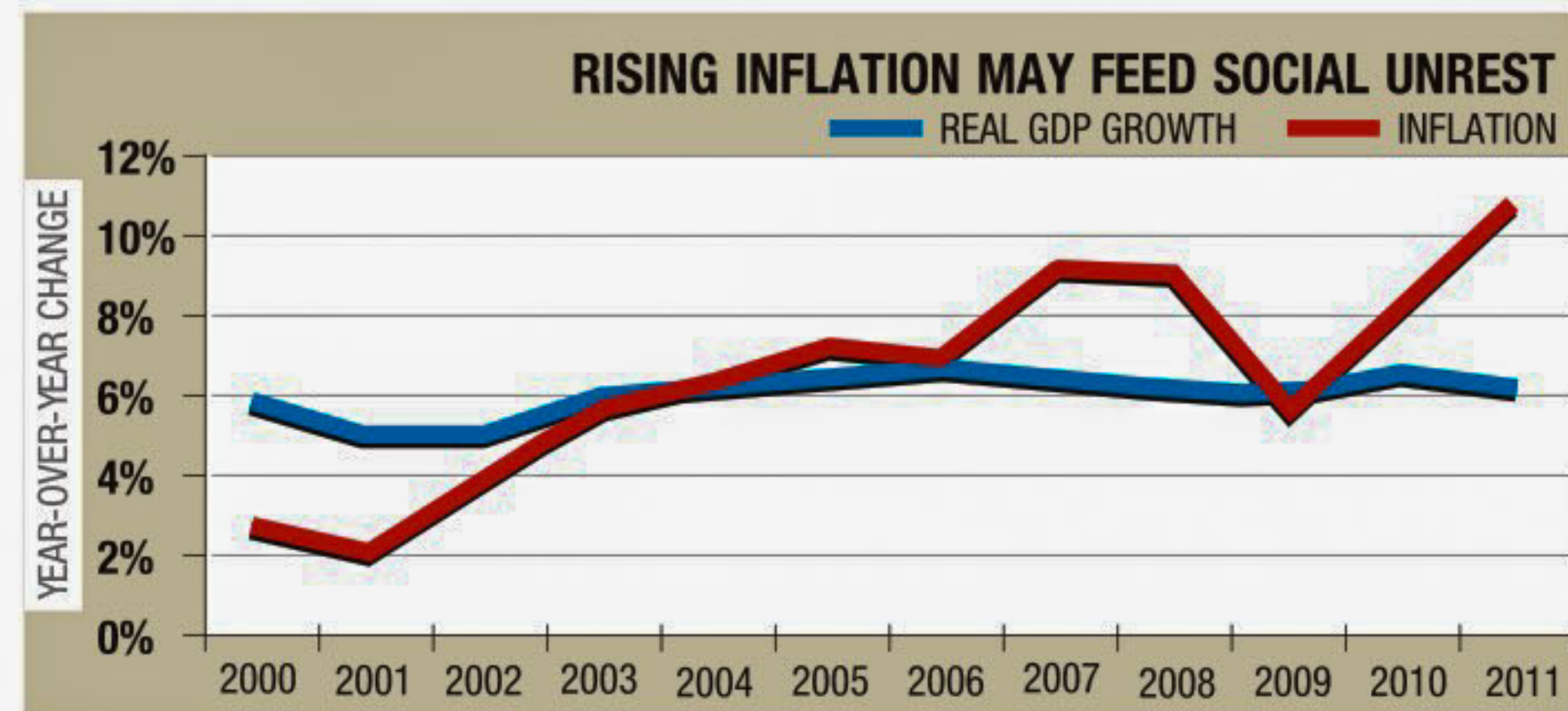
Bangladesh imported more than 39.39 lakh bales of cotton in the year through June 2011, according to data from the commerce ministry.

Of the total amount, 41.82 percent was imported from India, 35.31 percent from Uzbekistan and other members of the Commonwealth of Independent States, 7.68 percent from Africa (East and West) and 15.19 percent from other countries, including the US, Australia, Pakistan and China.

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Moody's warns Bangladesh on political tension

Political instability is credit negative: agency



SOURCE: IMF, WORLD ECONOMIC OUTLOOK

REJAUL KARIM BYRON

Political instability in Bangladesh may cause the country's credit rating to be negative, Moody's said in a weekly report yesterday.

Mentioning the recent political troubles, the rating agency said: "Political instability is detrimental to investor confidence, and is credit negative."

Any erosion of investor confidence comes at an inopportune time for Bangladesh that had earlier been rated Ba3 stable, according to Moody's Weekly Credit Outlook.

It also warned that the recent \$1 billion loan by the International Monetary Fund to Bangladesh "may not be sufficient to buoy investor confidence".

Moody's statement referred to a nationwide strike by the opposition Bangladesh Nationalist Party (BNP) to protest the disappearance of Ilias Ali, one of the party's senior figures. At least five people were killed in riots and shops were closed in the capital in three consecutive days strikes last week.

If the political instability deters foreign investment, or worsens the external payments position or the government fiscal balance, the IMF credit may not be sufficient to buoy investor confidence, Moody's said.

Bangladesh had been experiencing a rare period of relative political stability since 2009 when a landslide electoral victory brought the Awami League back to power, it said.

"Prior to this, the country's short history as an independent nation had been punctuated by military coups and

political vendettas that turned into street violence," Moody's said.

Surging fuel consumption in the past 18 months, in addition to rising global oil prices, strained government finances because of rising subsidy costs, it said.

The balance of payments slid into deficit for the first time in 10 years at the end of fiscal 2011. Capital outflows now and the resulting downward pressure on the currency would add to external pressures, Moody's said.

Rising inflation, coupled with daily power outages, has also diminished the government's popularity and is feeding undercurrents of social unrest, Moody's said.

To alleviate the burden on state energy corporations and promote budget consolidation, the government raised energy and fuel prices four times in 2011, it said.

Inflation climbed into the low double digits in March 2011 from a year earlier and has not dipped below since, averaging 10.7 percent last year, the highest in a decade. In March 2012, the consumer price index was 10.1 percent higher than a year earlier.

"We disagree with Moody's assessment as the exchange rate has recently stabilised and reserves are building up," said Hassan Zaman, senior economic adviser to the Bangladesh Bank governor.

"These strikes are not undermining Bangladesh's ability to service external debt, or more generally its long-term creditworthiness," he said.

"As such we look forward to detailed discussions with Moody's during its forthcoming annual rating visit."

Not all TIN holders have to pay minimum tax: NBR

Revenue board plans to increase the number of TIN holders to boost collection

STAR BUSINESS REPORT

Not all tax identification number (TIN) holders will have to pay minimum tax in the next fiscal year, the National Board of Revenue (NBR) said yesterday.

The board, however, said it looks for scope to impose taxes on some TIN holders on a case-to-case basis and aims to bring the local government units such as pourashava and "growth centres" under the tax net by encouraging people to get TIN.

"Our target is to increase the number of TIN holders to get more tax," said NBR member on income tax policy Syed Md Aminul Karim, responding to the media at a press briefing at the NBR office in Dhaka.

"But we are not thinking of imposing taxes on all TIN holders," he said.

NBR Chairman Nasiruddin Ahmed and other members were also present.

The tax collector shared the view days after Finance Minister AMA Muhith said the government considers imposing minimum tax on all of the 30 lakh TIN holders. Of them, only one-third submit returns.

The NBR said it collected Tk 62,737 crore in July-March of the current fiscal year with an 18 percent growth and expects to beat the entire year's target at Tk 91,870 crore.

In the next fiscal year beginning in July, the NBR aims to collect Tk 112,350 crore in

revenue, said its chairman.

"We will also say good-bye to the PSI (pre-shipment inspection) system next year," said Ahmed, adding that the system would stand scrapped from December.

"We are formulating an exit strategy the system," he said.

On whether black money will be allowed to be legalised in the next fiscal year also, Ahmed said there is a provision in the income tax law that one can show his undisclosed money under the head of "income from other sources".

NBR accepts such undisclosed income by imposing up to 25 percent taxes without question. This provision will remain in force through the next fiscal year.

"We will not question if anyone shows his income as income from other sources," said the NBR chief.

The NBR said there is no limit to 'income which can be shown as income from other sources'.

The tax administrator, however, could not give any information on how much undisclosed money may become legalised under the provision of the current law.

Ahmed said the NBR also considers scanning 'transfer pricing' in the upcoming income tax law in a bid to curb siphoning off money out of the country by manipulating the system.

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9.33 lakh stock investors to get compensation

STAR BUSINESS REPORT

A government committee has singled out 9.33 lakh small investors who will get IPO quota under the stock compensation package.

The small investors, who lost money to stockmarket downswings last year, will enjoy a 20 percent quota in all initial public offerings (IPOs) -- government and private -- to be issued in 2012 and 2013.

However, the small investors who will enjoy the 20 percent IPO quota cannot apply for the IPO in general quota.

The panel, headed by Investment Corporation of Bangladesh's Managing Director Md Fayekuzzaman, submitted the list of the small investors to the Securities and Exchange Commission yesterday, officials said.

The committee prepared the list in line with a government stimulus package on the stockmarket, which witnessed a price debacle in January-February last year.

According to the package, the affected small investors will also get a 50 percent waiver of interest on loans. The interest to be waived must be accrued within the 2011 calendar year or fiscal 2011-12.

The government also gave the small investors scope to pay the remaining 50 percent of the interest through quarterly instalments in three years.

Earlier on November 22, the SEC unveiled a 21-point market stabilisation package, including a special scheme on compensating the retail investors who faced losses.

The SEC had formed a six-member committee, headed by Fayekuzzaman, to find out ways to compensate the retail investors who traded with small investment or on credit.

On February 22, the committee came up with a set of recommendations, including waiver of interest and IPO quota for small investors, and submitted those to the government.

The committee had defined that adversely affected small investors are those who deposited Tk 10 lakh or less of own money in beneficiary owner's (BO) accounts, and incurred losses.

Telenor writes off rest of India mobile business

AFP, Oslo

Norwegian telecom giant Telenor wrote off Monday the rest of its mobile business in India worth 3.9 billion kroner (\$680 million) after New Delhi scrapped licences in a massive fraud probe.

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