Scan Machinery launches shipbuilding equipment factory in Ctg

STAFF CORRESPONDENT, *Ctg*

STAR

Svend Olling, Denmark's ambassador to Bangladesh, speaks at the launch of Scan Machinery's factory at Ichhanagar in Chittagong yesterday.

SCAN Machinery Bangladesh Ltd, a joint effort of Bangladesh and Denmark, launched a shipbuilding equipment factory in Chittagong yesterday.

Headed by A Rouf Chowdhury as its chairman, Scan Machinery will produce hydraulic machinery for shipbuilding companies.

The new company is a joint venture of Western Fishers Shipyard Ltd, a subsidiary of Western Marine Shipyard, fishing and marine equipment supplier DanSea of Danish origin, and AS Scan, another Danish solutions provider for maritime industry, supported by Danish International Development Agency.

The factory, sited in Ichhanagar, south of the Karnaphuli river, is the first of its kind in Bangladesh.

The factory will offer a wide product line, ranging from steering gears to winches, net drums, trawl doors to propellers, nozzles, rudder control system, rudder shafts and other hydraulic equipment for shipbuilding companies, said Michael Vejlgaard, managing director of AS Scan.

The shipbuilding sector that started in the country a decade ago is playing a vital role in turning the country into a manufacturing hub, said Saiful Islam, director of Scan Machinery and chairman of Western Marine Shipyard.

The new company has already received a Tk 160 million contract of manufacturing equipment for eight fishing trawlers, said Sakhawat Hossain, director of Scan Machinery.

The company aims to transfer modern technology from the European Union to Bangladesh and transform the cost-effective manpower into a skilled workforce, he added.

Denmark, after becoming the first country to recognise Bangladesh in 1971, has since been assisting the nation in different sectors, said Svend Olling, the Danish ambassador.

Danish companies have been doing business in Bangladesh over the past few years because of god business opportunities and skilled and hardworking manpower, he added.

Chittagong City Mayor M Manjur Alam inaugurated the factory at a ceremony held at Ichhanagar on the bank of Karnaphuli.

Denmark's investment and assistance in the country's shipbuilding sector would help tighten the bond between the two countries, Manjur said.

The mayor assured the entrepreneurs of providing all support to run the factory properly.

AS Scan has joined Western Fishers and DanSea to provide hydraulic machinery at competitive prices after decades of presence in the maritime industry around the world, said Lars Jensen, managing director of Scan Machinery.

"We have all been looking forward to this day, a day which we hope will be the first milestone in a long and fruitful collaboration between Denmark and Bangladesh," Jensen said.

NBR logs Tk 428cr tax from fair

STAR BUSINESS REPORT

Tax receipts counted in four days of the weeklong income tax fair have exceeded the National Board of Revenue's total collection from last year's fair.

NBR collected Tk 428 crore in tax, compared to last year's total collection of Tk 414 crore, the tax authority said in a statement yesterday.

The NBR fair last year took place in seven divisional cities.

The increase in revenue can be attributed to the huge turnout of taxpayers and the launch of the fair in 11 districts along with the seven division cities.

"Taxpayers' crowd continued for the fourth day. They came to use various services, including getting new TIN (taxpayer identification number) and submitting tax returns," the NBR said.

Some 40,562 taxpayers submitted returns at the fair and 7,262 received TINs. The program remains open from 10am to 5pm.

Last year, 62,272 people submitted returns and 10,041 new TINs were issued.

The fair began on September 16, adding Mymensingh, Gazipur, Faridpur, Comilla, Noakhali, Jessore, Kushtia, Patuakhali, Bogra, Pabna and Dinajpur to its coverage along with the seven divisional cities.

The Officers' Club venue in Dhaka helped the tax collector secure Tk 402 crore out of Tk 428 crore with 22,447 returns being submitted.

The fair, the third of its kind, will end on September 22 in divisional cities and on September 20 in the districts.

The NBR has opened 36 booths to receive tax returns, 16 booths for TIN issuance and 20 "help desks" to inform taxpayers about their tax payment circles and other details at Officers' Club.

Sonali and Janata banks also have eight booths to facilitate direct tax deposits. The tax authority has also opened a designated corner for e-payment to let people know about procedures of paying tax online.

No express lane for Wal-Mart, rivals in India

REUTERS, *Mumbai*

For five years, Raj Jain fought to bring Wal-Mart to India. After finally getting his wish on Friday, now comes the hard part for Jain, country head for the world's biggest retailer which must negotiate a thicket of restrictions to set up shop in the world's second most-populous country.

Turning a profit in India for global supermarkets is widely expected to prove even tougher than in China, where Wal-Mart Stores Inc loses money after a dozen years and restrictions are fewer than those imposed by India.

Wal-Mart, which has been ramping up its wholesale operation in India, where it operates 17 of the cash-and-carry stores allowed under the old rules, is determined to get its retail business right in a country where even local chains struggle.

"We are able and willing to invest whatever it takes in the supply chain, in the retail formats to move our business forward," said Jain, days after India unexpectedly threw open its doors to supermarkets in the face of heavy political opposition as part of a broader spate of reforms.

Bentonville, Arkansas-based Wal-Mart and rivals such as France's Carrefour and UK-based Tesco Plc did not get everything they wanted.

Under the new rules, states can opt out of allowing in foreign players - a choice most seem inclined to make, at least for now - and even in those states that welcome them, stores will be permitted only in cities of at least 1 million people.

Foreign multi-brand retailers will also be required to invest at least $100 million, with half of that going into back-end infrastructure in rural areas, and source 30 percent of goods from small and mid-sized local suppliers.

"We sent our thoughts to the government that 30 percent was very high ... and obviously they looked at that and chose not to amend it," said Jain, who was previously based in Shanghai as head of emerging markets for Wal-Mart International.

"In the short term it's a requirement which probably can be met but as the business starts expanding, the issue will be how ... you continue to comply with it as you would have many more suppliers than you will desire to have," said Jain, who expects it take 12-18 months to open the first India store.

India's organised retail market could attract up to $16 billion in foreign direct investment (FDI) over the next three years, much of that in the farm-to-store supply chain network, according to estimates by Boston Consulting Group.

The restrictions are meant to appease fierce political opposition that forced New Delhi to backtrack from a similar plan late last year, and could yet scupper the latest push.

Asia's vanishing savings will bring new risks

ANDY MUKHERJEE

REUTERS

A vendor rests as he waits for customers at a vegetable market in Mumbai. India's annual consumer price inflation picked up in August to 10.03 percent, driven by a rise in food prices, government data showed on Tuesday.

ASIA'S much-impugned trade surplus is shrinking. After peaking at 7 percent of GDP in 2007, the combined current account surplus in 10 Asian economies, excluding Japan, is expected to narrow to just 2 percent this year. That's a welcome sign that the global economy is finally reducing its dependence on shopped-out US consumers. But the new equilibrium won't be entirely benign.

For about a decade, Asia's large current account surplus with the rest of the world has been a lightning rod for controversy. In 2005, Federal Reserve Chairman Ben Bernanke called Asian surpluses a manifestation of a global "savings glut," which was responsible for a high and rising current-account deficit in the United States.

Two years ago, US Treasury Secretary Timothy Geithner took aim at China when he suggested that non-commodity-producing nations limit their trade surplus to a maximum 4 percent of GDP. The financial crisis also highlighted how excess savings in Asia had been recycled into Western currencies, depressing interest rates and fuelling a debt binge.

Now the problem is receding. China's current account surplus was just 2.8 percent of GDP last year, a far cry from the 10 percent it reached in 2007, and may narrow further. If demand in the United States and the eurozone doesn't revive more meaningfully, Asia's appetite for imports will catch up -- and possibly overtake -- demand from the rest of the world for Chinese-assembled flat screen TVs, Korean-built cargo vessels and Indian software services. That might eventually produce a current account deficit, which will need to be plugged by an inflow of foreign capital.

Dwindling savings will also play a role. Some parts of Asia particularly China, Hong Kong, Singapore, Taiwan and Korea may struggle to retain past high savings rates because they are ageing rapidly, Morgan Stanley's Asia economist Chetan Ahya notes.

For many Southeast Asian countries, shrinking trade surpluses are an unwelcome reminder of the 1990s, when an unsustainable boom turned into a debilitating currency crisis. Trade deficits put pressure on currencies to depreciate. Monetary authorities can resist the downward pressure on exchange rates by selling foreign-currency assets. But speculators know those reserves are finite: Indonesia, which is already grappling with a current account deficit this year, spent almost $10 billion, or 9 percent of its reserves, in May and June defending the rupiah.

Letting exchange rates slide should eventually bring current accounts back into balance. But in the short run the problem could get worse. Imports, especially of petroleum products, will immediately become more expensive in local-currency terms, while the benefits to exporters come with a lag. In India and Indonesia, where governments subsidise the cost of imported fuel to consumers, budget deficits may worsen.

Asian countries can probably sustain larger deficits than 15 years ago. First, they have less short-term foreign debt: the Philippines had 2 percent of GDP in such borrowings at the end of last year, less than half the level of 1998. Also, years of surpluses have enabled most countries to build up large reserves, allowing them to finance imports even if exports suddenly collapse.

However, global capital flows are volatile and Asia, too, has new vulnerabilities in the form of its overstretched central banks. Monetary authorities in the region allowed their balance sheets to expand six-fold in the decade to 2011 as they soaked up foreign currency. In order to limit domestic inflation, they simultaneously sucked money out of the banking system by raising reserve requirements and selling central bank securities.

This depressed the supply of credit: every 1 percent increase in foreign-exchange reserves has reduced bank credit growth by 1.3 percent in Indonesia, Korea, Malaysia, Thailand and the Philippines, according to a study by David Cook of the Hong Kong University of Science and Technology and James Yetman of the Bank for International Settlements.

Now, as the $5 trillion reserves stockpile stops growing, bank loans could grow and credit standards could be loosened. One benefit of Asia's current account surpluses is that the region's banks are healthier than in the rest of the world. But unless financial supervisors are careful, the industry could get carried away.

Any distress in Asia will have a much bigger impact on the world economy now than in 1997, when it was not as big a part of global trade and capital flows. The West should welcome Asia's shrinking trade surpluses. But it would be a mistake to let the adjustment go too far.

The author is a Reuters Breakingviews columnist.