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The Daily Star

Committed to PEOPLE'S RIGHT TO KNOW

Vol. 5 Num 732 Mon. June 19, 2006

Business

Cambodia extends tax holiday for garment sector

Afp, Phnom Penh

Cambodia will extend a tax holiday for its garment sector until late next year to protect it from Vietnamese competitors and the expiry of US and EU safeguards in 2007, an official said Sunday.

Neighbouring Vietnam will become a stronger competitor if it joins the World Trade Organisation later this year as expected, broadening its access to Western markets, Cambodian government spokesman Khieu Kanharith told AFP.

"Their workers are skilful, their salaries are low and they have no worker riots or demonstrations," Khieu Kanharith said.

"The only way that we can attract (garment companies) is to allow them not to pay tax on their profits...otherwise they will go to Vietnam or elsewhere."

The spokesman said the tax break aimed to protect 300,000 jobs in the Cambodian garment industry, which accounts for 80 percent of the impoverished country's export earnings. Most workers are poor women from rural areas.

The Cambodian textile industry was thought doomed after January 2005 when an international quota system ended that had given Cambodia special access to the US market in return for improved labour conditions.

Instead, business has picked up, helped by continued US and European Union safeguards set to expire at the end of 2007.

Exports from some 240 factories last year rose 10 percent to almost 2.2 billion dollars, said the UN International Labour Organization.

Khieu Kanharith said the government would grant the extended tax holiday to those garment companies which applied for business licenses before June 2005.

Cambodia extends tax holiday for garment sector

Cambodia will extend tax holiday to those garment companies which applied for business licenses before June 2005 for its garment sector until late next year to protect it from Vietnamese competitors and the expiry of US and EU safeguards in 2007. Neighbouring Vietnam's workers are skilled and can work in a lower wage. At the same time Cambodia doesn't have those and that's why they are moving to the strategy of extending tax holidays.

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Vol. 5 Num 735 Thu. June 22, 2006

Business

India may allow FDI from Bangladesh

Pallab Bhattacharya, New Delhi

India might consider allowing Foreign Direct Investment (FDI) from Bangladesh to boost greater bilateral economic ties, Minister of State for Commerce Jairam Ramesh has said.

"In the next few months, we will sit and discuss different views within the government on whether to allow FDI from Bangladesh," he told reporters in Kolkata after attending the second meeting of Indo-Bangla task force on trade on Tuesday.

Ramesh said he personally favours opening up FDI from Bangladesh on a case-to-case basis to improve economic ties. "If Bangladesh allows investment from India, we should also reciprocate," he added.

He said although he favours FDI from Bangladesh into India, political and security compulsions do exist and the Indian government is not unanimous on this issue. According to the Indian minister, the Tatas have expressed intention to invest three billion dollars in Bangladesh, which is being viewed as a major initiative to foster greater trade ties between the two countries.

Ramesh expressed the hope the Bangladesh government will take a decision on the Tata's project by March next year. "I have talked to Tata Steel Managing Director Muthuraman and he said the project is still very active," the minister said.

"There are some pending issues like gas price that needs to be resolved. The coming election in Bangladesh has also kept the project in a limbo for some time," Ramesh pointed out. Ramesh said Indian government will set up a testing facility at Petroapole trade point, bordering Bangladesh, for 'hilsa' fish imported from that country. "The Indian government has already delegated authority to West Bengal state government and permits will also be allowed for multiple consignments," he said. Ramesh asked the Bangladesh industry to give its reaction to India's offer for abolition of duty on 4,200 items from the country into India. During his visit to Petrapole trade point, bordering Bangladesh, on Monday, Ramesh said India offered to abolish duty on 4,200 items from Bangladesh by 2008 and duty-free import of eight million units of garments from the country with FOB value of nearly $ 80 million. He said the move was a "special gesture" to Bangladesh.

He said the offer to abolish duty on 4,200 items will allow Bangladesh to make 75 percent of its exports to India duty-free. Currently, the duty levied on the items ranges from 12 to 20 percent.

Week # 05
Article # 10

Date # 22 June 2006
Source # The Daily Star, 22 June 2006

India may allow FDI from Bangladesh

India may allow Bangladeshi Foreign Direct Investment (FDI) to boost greater bilateral economic ties. It has spoke by Minister of State for Commerce Jairam Ramesh. He said if Bangladesh allows FDI from India why not India do the same. He also added India offered to abolish duty on 4,200 items from Bangladesh by 2008 and duty-free import of eight million units of garments from the country with FOB value of nearly $ 80 million. This offer will allow Bangladesh to export 75% more product in India. Currently the duty rate is 12-20%.

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Vol. 5 Num 737 Sat. June 24, 2006

Business

India's inflation picks up on hikes in food, fuel prices

Afp, New Delhi

India's inflation rate has picked up sharply, rising above five percent for the first time in a year, government figures showed Friday.

According to the Wholesale Price Index, India's most widely-tracked price monitor, inflation rose to 5.24 percent for the week ended June 10 against 4.72 percent the previous week, on the back of large increases in fuel and food prices.

Inflation in the corresponding week last year was 4.50 percent.

India has an inflation target for wholesale prices of 5.0-5.5 percent.

The figures were released a day after India's federal cabinet halted the export of lentils and allowed private players to import wheat and sugar in an effort contain prices of food items which have shot up in the past few weeks.

In New Delhi, Finance Minister Palaniappan Chidambaram said the government "will take more monetary and fiscal steps if needeed to curb inflation.

"The current spurt in inflation was due to ... (increases in) fuel prices," he was quoted as saying by the Press Trust of India news agency.

On June 5, India raised petrol prices by just over nine percent and diesel by more than six percent to offset higher global oil prices.

The price of gasoline increased by almost 9.2 percent per litre while diesel costs went up by 6.5 percent per litre.

India's inflation picks up on hikes in food, fuel prices

Because of the price rise of food & fuel India's inflation increased 5.24 percent for the week ended June 10 against 4.72 percent the previous week according to the Wholesale Price Index, India's most widely-tracked price monitor. In the corresponding week in the previous year it was 4.50 percent. The price of gasoline & diesel increased by almost 9.2 percent & 6.5 percent per liter respectively.

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Vol. 5 Num 740 Tue. June 27, 2006

Business

Japan, Brunei begin FTA talks

AFP, Tokyo

Japan and Brunei launched Monday their first round of talks toward signing a bilateral free trade agreement as Tokyo seeks more such pacts in Asia.

Japan is Brunei's biggest export destination, shipping some 200 billion yen (1.7 billion dollars) in 2004, mainly oil and natural gas, while Japan exported machinery and other goods worth 12 billion yen to Brunei.

"The meeting began today and will last for five days," said a foreign ministry official.

The two nations agreed in May to kick off the talks during a meeting held on the sidelines of the Asia Cooperation Dialogue (ACD) in Qatar.

Japan has been increasingly pursuing free trade pacts to secure access to raw materials and markets for its exports.

Its first, with Singapore, took effect in late 2002 and Japan has since agreed deals with Malaysia, Mexico, the Philippines and Thailand.

It is in ongoing negotiations with South Korea, Indonesia and with the 10-nation Association of Southeast Asian Nations (Asean) as a whole.

Date # 27 June 2006
Source # The Daily Star, 27 June 2006

Japan, Brunei begin FTA talks

The first round of talk between Japan and Brunei has launched yesterday toward signing a bilateral free trade agreement. In 2004 Brunei exported 200 billion yen (1.7 billion dollars) to Japan and Japan exported 12 billion yen to Brunei. Japan aims secure their import of raw material so that they can secure their export.

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Vol. 5 Num 745 Sun. July 02, 2006

Business

Enforcement of Safta

Experts suggest removal of non-tariff barriers

Star Business Report

Identifying non-tariff barriers as the main bottleneck in implementing Safta agreement, the country's experts expressed their mixed reaction over the benefit Bangladesh can reap from the deal, which came in effect yesterday.

They, however, underscored the need for participation of all Saarc nations in making the deal properly effective.

"There is no way to avoid any clause of the agreement as Saarc member states altogether signed the deal," a commerce ministry official, who was involved in all negotiations on establishing a free trade zone from the very beginning, said, fearing that non-tariff barriers might be turned into a crucial issue in enforcing the deal.

The official is learnt to have a vast experience about trade problems among the forum member countries.

When asked about how Bangladesh can be a beneficiary of the seven-nation deal, the official said the country can get benefit through export of fish, vegetables, jute, tea, leather, readymade garments, home textiles, medicines, processed food, consumer goods, cosmetics, handicrafts and ceramics to other Saarc countries.

"It will get trade benefits under Safta not from all countries. But as per the deal, it can get some export benefits from India, Bhutan, Sri Lanka and the Maldives," the official added.

He said Bangladesh will have duty-free access of jute and jute goods, fruit, leather products, ceramic, electrical goods to India's big market as the giant member country of the region keeps these products out of its sensitive list.

"A number of Bangladesh's export items including ceramic, melamine products, garments, fruit juice, electrical wire, leather and footwear, edible oil, hilsa fish and traditional jute products have huge demand in the Indian market. But due to non-tariff barriers such export potential is yet to be tapped," said Shishir K Deb, chief executive officer of Bangladesh Foreign Trade Institution (BFTI).

Dwelling on the problems of non-tariff barriers imposed by the Indian customs, he said the Indian authority does not seem to accept certification from Bangladesh

organisations, although these products are also exported to the EU and US markets.

In the Safta sensitive list, Pakistan includes potential export items of Bangladesh such as jute, fabrics, woven and knitted garments, special woven fabrics, made-up textiles and footwear.

"Although Bangladesh will not get much benefit from Pakistan under the Safta, it is possible to export some major items to Pakistan through bilateral deal, which is under process," said the commerce ministry official.

He said as per the commitment of high level officials of both Bangladesh and Pakistan are supposed to sign bilateral deal by September this year, which may help Bangladesh get market access of some major export items.

According to Export Promotion Bureau, Bangladesh exported goods worth $46.17 million to Pakistan in July-March period of FY 2005-06, which is 0.61 percent of the total export earnings of the country. The main products that Bangladesh usually exports to Pakistan are raw jute and tea.

Sri Lanka sensitive list includes fish, leather and footwear, while all major export items of Bangladesh except tea are excluded from the sensitive list of Bhutan. So, Bangladesh will get a chance to boost its export to these countries.

Meanwhile, major export items of Bangladesh such as fish, jute fabrics, woven and knitted garments, made-up textiles and footwear are on the sensitive list of Nepal. Only three major items of Bangladesh is on the sensitive list of the Maldives.

Data of the country's promotional agency for export show that the main export items of Bangladesh to the Saarc region are chemical fertilizers, raw jute, frozen fish, leather goods, tea, ceramic, garment and textile products.

As per the Safta, Bangladesh will have to allow for the next six months imports of other than items under its sensitive list from the contracting states by reducing 2.5 percent tariff from the existing rates. The highest rate of customs duty in Bangladesh is 25 percent.

India, Pakistan and Sri Lanka will reduce their tariffs for Bangladesh and other LDC contracting states by 10 percent from their existing rates for next six months as per the negotiation concluded at the maiden SAFTA Ministerial Council meeting in Dhaka on April 20 this year.

Under the Safta roadmap, the developing member-states will bring down their tariffs to 0-5 percent in three years while the Saarc least developed country like Bangladesh will do it in a time span of 10 years.

The member-states had decided to notify the non-tariff measures (NTMs) and para-tariff measures (PTMs) they face with their exports to other states of the regional body by October 1 this year.

A commerce ministry source said the sub-group already held their first meeting in Kathmandu on May 16-17, finalising the terms of reference of the group. They also decided to hold the second meeting in Bhutan on August 1-3.

Enforcement of Safta

Experts suggest removal of non-tariff barriers

Removing the non-tariff barrier is the main issue of implementing SAFTA now. This may turned into a crucial issue in enforcing the deal. In India though our product has a good demand but we cannot enter only for tariff barrier. Pakistani sensitive list includes some of the most important exporting products. But still there is a chance to continue export raw jute and tea in Pakistan. For the removal of that problem another agreement is going to be signed soon. In other 4 country's sensitive list is sorter than India & Pakistan. The major products will be there for Bangladeshi export are chemical fertilizers, raw jute, frozen fish, leather goods, tea, ceramic, garment and textile products.

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Vol. 5 Num 748 Wed. July 05, 2006
Business

China, India gearing up to open historic border pass

Afp, China

China and India on Thursday will reopen an historic trading route through Tibet that has been closed for 44 years, in a further sign of warming ties between the world's two most populous nations.

The Nathu La border pass, once part of the famed Silk Road trade route sitting 4,545 meters (14,998 feet) above sea level, was closed in 1962 when the two countries fought a brief border war in the Himalayan region.

But with relations improving in the economic, political and even military fields, the two sides decided it was finally time to reopen the pass, which sits between the Indian state of Sikkim and China's Tibet.

The reopening of Nathu La was initially agreed to in 2003 during an historic visit to Beijing by then-Indian prime minister Atal Bihari Vajpayee.

Since then, the two nations have pushed for greater trade to tap a total consumer market of 2.3 billion people. Bilateral trade reached 18.73 billion dollars last year, up 37.5 percent from 2004, according to Chinese statistics.

Nathu La was a major trading point between the two countries before the 1962 war and its reopening is aimed at restoring the region's former trading glory.

A study conducted by the Sikkim government said trade via the pass could reach 12 billion dollars by 2015.

Chinese state press reports, citing Tibetan trade officials, have given more modest assessments, saying goods traveling through the pass could eventually make up 10 percent of overall trade between the two nations.

However China intends to make Yadong, the border city on the Tibetan side that is also known as Chomo in Tibetan, the biggest free-market border town in southwest China, state press said.

Date # 05 July 2006
Source # The Daily Star, 05 July 2006

China, India gearing up to open historic border pass

After 44 years China and India going to reopen an historic trading route through Tibet on the next day. in 1962 when the two countries fought a brief border war in the Himalayan region and that time the border closed. This will add a new market of 2.3 billion people. According to Chinese statistics, from 2004 Bilateral trade reached 18.73 billion dollars last year, up 37.5 percent. By 2015 trade via the pass could reach 12 billion dollars.

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Vol. 5 Num 752 Sun. July 09, 2006

Business

Japan to hike interest rates for first time in six years

Afp, Tokyo

The Bank of Japan will raise interest rates next week for the first time in nearly six years in a sign that the Japanese economy is gaining momentum, news reports said Saturday.

With Japan expected to shake off deflation, the central bank has judged that all conditions have been met for a rate hike, the Asahi Shimbun said, without citing sources. Governor Toshihiko Fukui will propose a rate hike during a two-day policy meeting Thursday-Friday, with a majority of the board members expected to agree, the Mainishi Shimbun said, without citing sources. The central bank will initially raise the short-term rate to around 0.25 percent, the first rate hike since August 2000 which ends Japan's zero-interest rate policy, the Mainichi and Asahi said. The reports agreed with analysts' expectations as the Japanese economy enjoys continued improvement.

Government ministers were initially cautious on an early rate hike, saying that the Japanese recovery was still fragile, but have recently toned down their opposition, maintaining that the decision was up to the central bank. So far this year, the Bank of Japan has steadily taken steps toward the expected rate hike. In March, it ended its five-year policy of "quantitative easing," under which it flooded the banking system with excess funds to offer easy credit and stimulate the economy. The bank decided at the time to keep interest rates at zero but indicated that it would end this policy when Japan definitively breaks out from more than a decade in the economic doldrums.

Speculation has mounted that the central bank might delay the rate hike because governor Fukui has been has been embroiled in a personal investment scandal. But the central bank has said the scandal will not affect its rate decision. Fukui admitted to profiting while in office from an investment in a scandal-tainted fund operated by Yoshiaki Murakami, who has been indicted for alleged insider trading.

Fukui has not broken any laws nor the central bank's own internal rules, but he has taken flack for the timing of his decision in February to pull out his investment -- just before the BoJ ended its ultra-loose monetary policy.

Opposition lawmakers have called for his resignation.

Japan to hike interest rates for first time in six years

For the first time in nearly six years The Bank of Japan will raise interest rates next week. It's a sign that the Japanese economy is gaining momentum. The central bank will initially raise the short-term rate to around 0.25%. This is the first rate hike since August 2000 which ends Japan's zero-interest rate policy.

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Vol. 5 Num 753 Mon. July 10, 2006

Business

EU to force cellphone operators to slash roaming charges

Afp, Brussels

Despite a fierce lobbying campaign by the telecoms industry, the European Commission is poised to force operators to slash the cost of mobile phone calls while abroad, officials say.

Upset that operators have ignored warnings to cut so-called "roaming" rates, the European Union's executive arm is to carry out its threat to introduce measures aimed at cutting prices in half. Information Society and Media Commissioner Viviane Reding is to unveil on Wednesday controversial new regulations to push prices lower, which the industry has fought tooth-and-nail to avoid. "The cross-border nature of international roaming services ... partially explains the difficulties for the national regulators to address the high prices for international roaming," she said in a recent speech. "In addition, given the cross border nature of the problems, any type of legislative intervention by member states would be ineffective and would risk giving rise to divergent results," she added. With 147 million Europeans using roaming services, the market is estimated to be worth about 8.5 billion euros a year. But although Reding has decided to go ahead with the measures in the teeth of resistance from operators and even some national measures, she has watered down the new regulations. In particular, she has dropped plans for a so-called country-of-origin priniciple under which a Frenchman, for example, on a trip in Berlin would pay a local rate if he called a taxi with his mobile phone. Critics warned that the rule could have encouraged consumers to import SIM cards -- which, inserted into a mobile phone, manage which networks the caller can use and at what price -- from countries with the lowest rates. But under the plans she is to present on Wednesday, a copy of which has been obtained by AFP, Reding will fix the wholesale rate that an operator charges a foreign rival who uses its network on the behalf of a customer travelling abroad. However, what really makes operators shiver with dread are plans for a cap on retail rates they can impose.

Consumer associations and the Europeamn Commission consider that the measure is necessary so that the benefits of lower wholesale rates are passed on to consumers. Even more controversely, the commission does not allow customers to be charged when they receive a call while abroad. The GSM Association, an industry lobby, warns that the reform will only result in operators raising their domestic prices so that they can make up for the lower roaming profits.

EU to force cellphone operators to slash roaming charges

The European Commission is poised to force operators to slash the cost of mobile phone calls in abroad. Upset that operators have ignored warnings. 147 million Europeans using roaming services & the market is estimated to be worth about 8.5 billion euros per annum. The GSM Association warned that this may increase the local call charge.

The Daily Star

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Vol. 5 Num 758 Sat. July 15, 2006

Business

China to allow foreign exploration in key oil, gas blocks

Afp, Beijing

China will allow foreign companies a rare chance to conduct exploration for oil and gas in parts of the resource-rich Tarim Basin in the northwest of the country, the country's top energy company said Friday.

The China National Petroleum Corp (CNPC), the nation's largest oil and gas producer, said it will invite bids from foreign companies for exploration in nine potential oil and gas blocks in the basin. "We're inviting foreign partners to jointly explore the largest gas and oil basin in the Chinese mainland," CNPC, the parent of PetroChina, said in a statement on its website. It said several foreign oil companies had already expressed an interest in participating in projects in the Tarim Basin but provided no names. The statement suggested that a major motive of permitting foreign participation was to attract technological know-how from overseas. "CNPC plans to introduce the latest exploration concepts and advanced technology to raise the level of proven reserves," it said. The nine blocks now opened to foreign exploration involve a total area of 110,000 square kilometers (44,000 square miles), the CNPC statement said. The CNPC did not provide the exact location of the blocks but said they were located in the southwest, the center and the east of the basin, located in the vast Xinjiang region.

The basin is considered key in China's efforts to boost its energy security in the coming years and as a possible replacement of oil fields such as Daqing in northeast China, which are approaching exhaustion. CNPC is an active participant in China's efforts to secure enough energy for the future and is cooperating with several large foreign majors. It is expected to reach a consensus with Gazprom, Russia's state-owned natural gas monopoly, by the end of the year for the import of gas through two cross-border pipelines, the China Daily newspaper reported Friday. The two companies have reached an initial agreement to build two pipelines to transport up to 68 billion cubic meters (2.4 trillion cubic feet) of Russian gas to China annually, according to the newspaper.

Date # 15 July 2006
Source # The Daily Star, 15 July 2006

China to allow foreign exploration in key oil, gas blocks

China will allow foreign companies to conduct exploration for oil and gas in parts of the resource-rich Tarim Basin. For this a bid will be invited from foreign companies for exploration in nine potential oil and gas blocks in the basin. Several foreign oil companies had already expressed their interest said by the China National Petroleum Corp (CNPC). The major motive is to invite foreign technology in that particular field.

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Vol. 5 Num 759 Sun. July 16, 2006

Business

Saudi prince keen to invest $5-6b

Sends team Tuesday to lay stake on Rupali Bank sale

Unb, Dhaka

A four-member investment team from Saudi Arabia arrives here Tuesday to participate in an international bidding floated by the government for selling off the state-owned Rupali Bank.

On behalf of Saudi Prince Bandar Bin Mohammad Bin Abdul Rahman Al Saud, one of the senior members of the Saudi Royal family and business tycoon, the delegation will submit tender form to lay a stake on the Rupali sale.The Saudi prince is participating in the international tender with a high hope of investing about US$ 5/6 billion in Bangladesh's banking sector if the state-owned enterprise is finally handed over to his company. Yousuf Hamed Garzal, the prime consultant to the prince, will lead the delegation, which is scheduled to hold dialogues with central bank authorities, privatisation commission and the management of Rupali Bank Ltd.

"The delegation will come to prepare the bidding documents," a competent source told the news agency. The tender will be opened next month. Earlier, seven companies from home and abroad were short-listed by the Privatisation Commission as potential buyers of the bank. On May 7, the commission approved the expressions of interest (EoI) submitted by these companies for taking over the Rupali Bank.

The companies are Domestic Investors Consortium, Summit Industrial & Mercantile Corporation (Pvt) Limited Bangladesh, National Housing Finance and Investment Ltd. and FMO Netherlands Development Finance Company (four companies jointly sent their EoI), State Bank of India, Sabrie Capital Worldwide Ltd. of Oman, Bank Muscat of Oman, Prince Bandar Bin Mohammad Abdur Rahman Al Saud of Saudi Arabia, Maa International Investment Ltd. of Malaysia, and JJ Finance Ltd. of the UK.

Week # 09
Article # 18

Date # 16 July 2006
Source # The Daily Star, 16 July 2006

Saudi prince keen to invest $5-6b

Sends team Tuesday to lay stake on Rupali Bank sale

For selling off the state-owned Rupali Bank a four-member investment team from Saudi Arabia arrived here. If the state-owned enterprise is finally handed over to his company they will invest about US$ 5/6 billion in Bangladesh's banking sector. Saudi Prince Bandar Bin Mohammad Bin Abdul Rahman Al Saud, one of the senior members of the Saudi Royal family and business tycoon will made it.