

Graft leads to higher capital flight

Rapport seminar observes

STAR BUSINESS REPORT

High level of corruption in Bangladesh has led to an increased capital flight from Bangladesh, speakers at a seminar observed yesterday.

The government must reduce the current level of corruption as a first step to stop capital flight, they added at the seminar titled 'Capital Flight from Developing Countries with Reference to Bangladesh'.

They also called for a stable exchange rate to discourage hundi businesses, the illegal mode of money transfer, to help control the capital flight.

Mohammad Taimur Reza Sharif, in his keynote address, said corruption and tax evasion are major reasons for capital flight from a developing country like

Bangladesh.

Sharif, an assistant professor of Economics of American International University Bangladesh (AIUB), elaborated wealthy individuals may acquire foreign assets to evade local taxes or hide the proceeds earned from corruption and other criminal activities along with the intention to avoid imminent expropriation or substantial loss of value.

Terming tax evasion and criminal activity as factors leading to capital flight, Sharif mentioned it is a pure loss for any developing state.

He also mentioned misinvoicing trade transactions, overseas payments for franchises and bank transfers are the most common methods of transferring funds.

He said Bangladesh being the

most corrupt country has contributed to the phenomenal increase in unrecorded capital flows from US\$121 million in 1988 to US\$ 1241 million in 1994.

Sharif also said capital flight can be reduced if the corruption level is curbed. He said insufficient data is a barrier to measuring capital flight from Bangladesh.

The seminar, organised by Rapport Bangladesh Limited, was attended by Professor Carmen Z Lamagna, vice chancellor of AIUB, Yusuf Saeed, resident vice president of Citibank NA, Md Lokiatullah, managing director of EXIM Bank Limited, Anwar Hossain, dean of Faculty of Business Studies of AIUB, Mahmood Osman Imam of Finance and Banking Department, Dhaka University, Afroza Yasmin of Sociology

Department, Dhaka College, and M Ameeruz Zaman Khan of Bangladesh University.

Yusuf Saeed said capital flight is exacerbating the income inequality in the country. He said capital which could be used productively in the setting up of local manufacturing units is diverted abroad leading to reduced employment scope.

He said Bangladesh is also experiencing a flight of human capital to the developed countries.

Mahmood Osman Imam said there are legal loopholes that may facilitate the flight of capital.

Hossain said Bangladesh has low savings and investment rates retarding the development of an industrial base. Without a strong industrial base, capital flight will always continue, he added.

He said greater consumer satisfaction provided by hundi business over commercial banks has led to illegal practice.

M Ameeruz Zaman Khan said instability of the exchange rate enhances capital flight. He termed anticipated devaluation of local currency as an important reason for capital flight.

He said capital flight can be reduced by keeping the domestic currency stable.

Carmen Z Lamagna said capital flight may contribute to international terrorism.

Md Lokiatullah said awareness of the negative impact of capital flight is needed to stop the malpractice.



State Minister for Liberation War Affairs Redwan Ahmed formally inaugurates RS Associates (Electric) Ltd, an electric meter manufacturer, at Shafipur on Thursday. The company has been set up with the technical co-operation from a Chinese firm.

Alpha Tobacco okays 25pc dividend

Alpha Tobacco Manufacturing Company Ltd. has approved a 25 per cent dividend for the year ending September 30, 2002, says a press release.

The dividend was approved at the 36th annual general meeting of the company held in the ATMC factory premises at Singia in Jessore on Tuesday.

A Ahmed Yusuf, director of the company, presided over the meeting.

Director In-charge AR Malik, company secretary M. Kamaluddin and a number of shareholders were present at the meeting.

StanChart, GP sign deal on payment

Standard Chartered Bank and GrameenPhone Ltd signed an agreement on accepting Visa and Mastercard credit cards, Standard Chartered ATM cards and autobill payment facility Wednesday, says a press release.

The deal will allow Standard Chartered customers to pay their monthly GrameenPhone bills and buy GrameenPhone mobile packages by using their Standard Chartered credit or ATM cards.

It will also enable Standard Chartered credit card customers to pay their monthly GrameenPhone bills through a simple standing instruction. Their bills will be automatically debited from their credit card account every month, doing away with the need to stand in long queues.

The agreement will mean an additional range of value-added services to customers of both the organisations in the near future. Customers will be informed about these initiatives as they are rolled out.

David Fletcher, chief executive officer of Standard Chartered Bank, Ola Rea, managing director of GrameenPhone Ltd, A E A Muhaimin, head of Consumer Banking, Standard Chartered Bank, S A A Masrur, head of Corporate & Institutions, Standard Chartered, N K A Mobin, director Finance, GrameenPhone Ltd, and other senior officials of both organisations were present at the signing ceremony.

52 WTO states for maritime transport liberalisation

AFP, Geneva

The EU, Japan and 50 other members of the World Trade Organisation have called for "meaningful" liberalisation of maritime transport services as part of the global Doha trade talks.

"Maritime transport is an important facilitator of world trade. Four-fifths of world trade by volume is carried by sea," they said in a joint statement presented at WTO services talks here this week.

The European Union, plus its 15 member states, along with Japan, Australia, Canada and China are among the 52-strong group that argues maritime transport is also a "significant exportable service" for many countries.

"In view of its importance, binding substantive liberalisation of the maritime transport service sector is crucial to ensuring the overall success of this current round of trade negotiations," the statement said.

NBR assessing bids to appoint PSI firms as deadline nears

UNB, Dhaka

The National Board of Revenue is meticulously evaluating 17 proposals from international companies in the process of appointing agencies for pre-shipment inspection of imports in five blocks across the world.

Officials said the appointment of new pre-shipment inspection (PSI) agents could be effective from May 15 when the contracts expire with three agencies appointed for the first time in February 2000 for inspecting private-sector imports.

The PSI system was introduced by the immediate-past Awami League government to check reported malpractice in import trade, such as under-invoicing and over-invoicing, as well as to ensure import of quality commodities.

They said against previously determined three blocks, the NBR this time created five blocks to

bring dynamism in the import-inspection job. Five international PSI agents are vying for contracts. They have submitted 17 proposals.

Baltic Control of Denmark submitted bids for blocks C and E, Control Union of the Netherlands and Coteaua Inspection of Switzerland for all the five, NMCI of USA for B and E and SGS of Switzerland for A, C, D.

The evaluation of technical proposals will be over by March 10. Then the financial proposals will be opened. By first week of April, the technically responsive lowest bidders will be selected.

Officials said the government in 1998 decided to appoint PSI agents to inspect all private imports to certify declared value of merchandise and its quality in general to prevent any discrepancy in declarations given by the importers.

But the first bidding had created controversies as it allowed monop-

oly by imposing a condition that the intending PSI company would have to be a member of the International Federation of Inspection Agencies (IFIA).

Out of more than 100 international PSI companies, only six are members of the IFIA. This prompted the NBR this time to drop the condition, paving the way for all reputed companies to compete in the bidding.

As the coalition government-published white paper detected corruption in the first bidding during Awami League rule, the NBR this time is also careful to avoid any new controversy, said the officials.

However, none of the three PSI companies appointed through the first bidding did come up in the second round. Officials said they told the NBR that the bidding was not financially viable for them.

In the second-round bidding,

the NBR put a condition that if the previously pointed three PSI companies wanted to vie again, they would have to submit an undertaking that they would meet up all dues of the government.

A number of cases are pending with courts as the companies filed suits after the government had brought changes in corporate tax policy. Huge fines are also due from the companies.

In the first bidding, appointment was given to Inspectorate, ITS and BIVAC. Their term ended on February 15 this year. But they got extension for three months following delays in tendering process.

As realizing duties is one of the main mottoes of appointing PSI agents for private import, officials said the NBR this time would review their previous records to check any wrongdoing by the firms.

Ctg international trade fair kicks off Monday

BSS, Chittagong

The annual mega-trade show -- Chittagong International Trade Fair (CITF) -- begins here Monday.

The month long 11th CITF-2003 under the auspices of Chittagong Chamber of Commerce and Industry (CCCI) is expected to be inaugurated by President Iajuddin Ahmed.

Commerce Minister Amir Khosru Mahmud Chowdhury and Thai Ambassador to Bangladesh Phithak Phrombhupha will be special guests at the inaugural function, CCCI Deputy Secretary Mohammad Fahim Azad told BSS yesterday.

CCCI sources said for the first time a foreign country -- Thailand is participating in the fair as 'partner country' and a big exhibition of Thai products will be available at

their pavilion.

CITF is the second largest trade fair after Dhaka International Trade Fair (DITF), industry sources said.

The CCCI initiated the fair in 1993 with a view to expanding the country's small and medium-sized industries with the assistance of German Confederation of Small Business and Craft (ZDH) and Technonet Asia Singapore.

Sources said preparations are going on in full swing to make the fair a success. CCCI authority is working on an architectural layout plan to make the venue of the fair attractive to the participants.

A CCCI official said they are expecting participation of leading companies and entrepreneurs from home and abroad including Asia, Europe, the USA and Africa.

A total of around 500 stalls and pavilions will be set up in the fair this year, he added.

Reputed entrepreneurs and companies from the USA, Russia, China, India, Pakistan, Malaysia, Singapore and South Korea have already confirmed their participation in the fair.

The main features of the fair are cultural show once in a week, fashion show, theatre, separate block for the women entrepreneurs and information technology.

Talking to BSS, CCCI President Amir Humayun Mahmud Chowdhury opined that this year's CITF will carry more importance against the backdrop of recent development specially in the field of trade and investment centering the port city of Chittagong.



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Strong policy support needed to salvage carpet industry

UNB, Dhaka

The government needs to formulate a comprehensive policy to salvage the ailing carpet industry, industry sources said.

Out of total six jute carpet mills and one jute braided factory, four have ceased their productions in the past few years as imported synthetic coverings, which enjoy low import duty, captured the local market sidelining jute carpets.

Bangladesh exported several millions of jute carpets and floor coverings only a few years ago, but the volume has marked a drastic fall due to reducing support from the local market.

Industry people emphasised streamlining the jute carpet and jute floor covering industry as it has a bright prospect of gaining a strong base.

"It's also needed as the survival of jute heavily depends on diversification of products because the traditional market has been losing the competitive edge due to the synthetic products," said Shahedul Islam, chairman of Bangladesh

Jute Goods Association (BJGA).

He said the import of synthetic floor coverings was banned to protect the local industry and jute. "Most floor covering factories were running well because they had market abroad too," he said.

Later, he said, the ban on import of all kinds of floor covering was withdrawn with the imposition of high tariff and import duty. During 2001-2002, the tariff value for imported floor coverings was 30 dollars for per square metre with additional 100 per cent supplementary duty.

But, the BJGA chairman said, during 2002-2003 an import duty of 32.5 per cent was imposed by withdrawing both the tariff and supplementary duty.

"With this reduction in the import duty, the imported synthetic carpets and other imported floor coverings have become cheaper compared to local jute floor coverings," he said.

Diversified jute products can save the jute industry and the jute growers, but the government policy has not been favourable to

support this sector, Shahedul Islam regretted.

He said there is an immense potential for our jute floor coverings in the export market because of the silky look of jute fibre. The developed countries are more and more inclined towards natural fibres compared to synthetic ones, he added.

"This year, the cash subsidy for this sector was reduced from 10 per cent to 5 per cent although it should have been increased to promote export of jute coverings as the raw material is 100 per cent of Bangladesh origin," he said.

The BJGA chairman regretted that the policy of cash subsidy did not favour the jute industry whereas the textile industry gets higher benefits although their base raw material is of foreign origin.

"Jute floor coverings value addition is much higher than that of the standard jute products and it is highly labour intensive compared to the traditional jute goods," he said.

According to him, for any industry to have successful export growth a local sales outlet is required for it to sell the overrun production, wastage sale and to make sample productions.

Thus, Shahedul Islam said, it is imperative that a favourable policy be formulated by the government to create local demand for jute floor coverings. "This can be achieved only by protection against imported synthetics or other floor coverings."

To salvage the sick jute carpet and jute floor covering industry, he said, all imports of floor coverings need to be banned. "The existing factories in Bangladesh have enough capacity to meet local demand."

"The fire-retardant quality, biodegradability and environment-friendly characteristics of jute have definite edge over synthetic floor coverings. The jute industry needs to focus more on the floor coverings for revitalising the jute sector," the BJGA chairman said.

Premier Bank holds workshop on money laundering

The Premier Bank Limited arranged a workshop on 'Prevention of Money Laundering' at the bank's head office in Dhaka on Thursday, says a press release.

Nurul Amin, sponsor director of the bank, presided over the workshop.

M A Yussouf Khan, managing director, Neaz Ahmed, deputy managing director and Advisor to the bank Kazi Abdul Mazid spoke at the workshop.

General Manager of Anti-Money Laundering Department of Bangladesh Bank Md Harunur Rashid Chowdhury was present as guest of honour and elaborately discussed the context of Money Laundering Prevention Act 2002.

All branch managers, deputy branch managers, compliance officers and divisional heads at the head office participated in the workshop.

Indian tea exports may drop if US strikes Iraq

REUTERS, Kolkata

Indian officials fear that tea exports in 2003 could drop if there is a US-Iraq war as the Middle Eastern nation has emerged as the country's fastest growing market.

India, the world's largest tea producer, exported 193 million kg last year, which although slightly less than targeted, rose six per cent from the tally in 2001 as sales to Iraq under the United Nations' food-for-oil programme soared.

"We are very concerned about (the possibility of war in) Iraq. It is an important market for India," Naba Kumar Das, chairman of the state-run Tea Board, told reporters on Thursday on the sidelines of an international tea conference.

Exports to Iraq in the first 11 months of 2002 nearly tripled from the same period in the previous year to 40.25 million kg.

But the Tea Board, which usually sets its annual export target early in the year, said it had not set one for this year due to uncertainty about a US-led attack on Iraq.

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Saturday Business Solutions

The Daily Star, 19 Karwan Bazar, Dhaka, Bangladesh, E-mail: dsbusins@gononet.com

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New Business

Q: I'm a business graduate and have started an advertising business with limited investment. Our field is highly competitive and requires high investment in marketing, where a small firm like ours can hardly survive. I just don't know whether I should stick to this business with the five staff I have or switch to another. I know it is a potential field but I don't know how to enter the market. How do I place myself in this saturated market? NM

A: The biggest myth about any market is the term 'saturated'. There is no such thing as a saturated market. In my initial years, I would hear this term about one of our sales regions - its saturated, competitive, don't expect any further growth. Today this region contributes the highest in sales and continues to outperform others in growth. How this is done is another story.

An advertising firm can be anything from designing and printing leaflets to producing girl whirling TV ads and doing other major events. How do you define yourself in this continuum? First define your boundaries... what is it that you want to do? What is it you are good at?

You cannot expect to get business just because YOU have started a business. But first get your basics right. Look at your cost structure. Five people? If you think you can afford five persons on the day one, you might bleed your business to death if the sales don't justify the returns.

So how do you get into the market? Remember niche marketing from your text books? Don't chase the big accounts for now. Build your base. Look around your office proximity. Who are your neighbours? How do they get their advertising requirements fulfilled? I am sure you know advertising is not just billboards and ads. Promotion materials, be it ads or gimmicks, are meant to inform and establish brand names, and at best persuade people to buy the brands. What creativity have you brought in that is different from the calendars, diaries, wallets that everyone seems to wallow in? Create your own excellence which is different from the rest. There HAS to be a difference else why should people change?

Sales come from hard work. The hard work is to go out and meet your clients. How about beginning with your own Dad or Uncle's firm? Go and get their account. Show them the benefit of your services.

The first sales has to come from you... you have to move out and meet your prospective clients before your people have the confidence to do their own sales. Then ensure that there is continuous personal follow up, yes personal, in person. A lot of firms are too happy to give work to firms who have someone coming in personally to ask. If you are prom-