

Budget success hinges on governance, law & order

Budget friendly towards poverty reduction: FBCCI

STAR BUSINESS REPORT

The Federation of Bangladesh Chamber of Commerce and Industries (FBCCI) yesterday said the government should establish good governance, improve law and order and check corruption to reap the benefit from the fiscal measures proposed in the budget for FY 2003-2004.

The apex trade body said unless such issues are addressed the fruit of the budget could not be reaped. The FBCCI officials made the observations while giving their formal reaction to the proposed budget.

The chamber said the proposed budget favours poverty reduction, export diversification and protection of local industries.

FBCCI President Yussuf Abdullah Harun said goods worth around Tk 9,000 crore are smuggled to India and Myanmar a year. "So, without curbing smuggling local industries will not develop and the government's effort to achieve

its revenue collection target will face setback."

Harun said the government has suggested increasing supplementary duty on sugar, salt and powdered milk, which may fuel smuggling. "Limited income group people will face problem as prices of these items may go up."

The apex body demanded withdrawal supplementary duty on salt, sugar and powder milk.

The FBCCI chief criticised the government for reducing duty from hard drinks. They said it will never raise the numbers of tourists. He demanded withdrawal of the proposal.

Harun said the government has proposed ever-large annual development programme (ADP) of Tk 20,300 crore. "The government should start to implement this from the very beginning," he said.

The president said the large ADP is based on assurance of foreign assistance in debt from different multilateral agencies. "If the government fails to implement the projects

in time, people have to bear this huge loan," said the FBCCI president.

He said implementation of the proposed ADP should be free from all political influences.

Harun criticised the government for bringing businessmen under tax return system. "There are many government officials who have other income sources, besides government salary. So, they should also be brought under the process."

As improved law and order is a pre-requisite to development, the FBCCI president urged the government to allocate more funds than what has already been allocated for the purpose.

He hailed the decision of advanced income tax (AIT) exemption on 175 items. "The exemption should also be extended to raw materials," he said.

The apex trade body appreciated the proposal for duty reduction in the readymade garment and textile sectors. It also appreciated the

government for extending its focus from roads and transport sector to railway and water transportation sector. "This will introduce multimodal transportation system which ultimately help common people to get better transport services."

Capital market will get a rhythm after the proposal for fixing different tax rates for listed and non-listed companies. "But to make the market more vibrant more reforms should be initiated," he added.

The FBCCI president suggested rationalising the bank interest rate based on market demand, which is now controlled by the government. "If entrepreneurs fail to get long term loans for investing in large projects, industrialisation process will be halted."

He praised the proposal of the finance minister to establish value added tax (VAT) commissionerate and amendment to VAT Act and Rules.



Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Yussuf Abdullah Harun makes a point at FBCCI post-budget discussion at the chamber conference room in Dhaka yesterday.

Ibn Sina declares 20pc dividend

Ibn Sina Pharmaceutical Industries Limited has declared a 20 per cent dividend for the shareholders for the year 2002.

The dividend was announced at the 19th annual general meeting of the company held in Dhaka recently, says a press release.

Mojibur Rahman, chairman of the company, presided over the meeting.

The company also adopted its audited accounts and annual reports for the year 2002.

The company earned a net profit of Tk 28.42 million in 2002 while it was Tk 13.11 million in the previous year.

Advocate Mojibur Rahman, Professor Abu Naser Mohammad Abdus Zaher and Mir Kasem Ali were elected directors from A-group shareholders while Dr Md Idris Ali reelected director from the B-group shareholders.

First Security Bank opens training centre

First Security Bank Limited has opened a training centre at its head office in Dhaka.

Nasim Sikder, chairperson of the Board of Directors of the bank, inaugurated the centre recently, says a press release.

Enamul Haque Shamim, director, Syed Ashraf Ali, managing director, B A Khan, training consultant, Mohammad Feroze, EVP, and senior executives of the bank were present.

Citigroup named best bank in '03

Citigroup has been named the best emerging market bank in 2003.

Global Finance, a leading business journal, selected Citigroup as best bank for prudent risk control combined with a commitment to expand into new markets, says a press release.

Among other banks, HSBC has been adjudged as best bank in Asia, Santander Central Hispano in Latin America, Bank Austria Creditanstalt in Central and Eastern Europe, National Bank of Kuwait in Middle East and Africa, Industrial and Commercial Bank of China in China, ICICI Bank in India, Bank Mandiri in Indonesia, Public Bank in Malaysia and National Bank of Pakistan in Pakistan.

Citigroup has been the market leader and innovator over the years and has best weathered the challenging conditions of the past years.

In May 2002, Citigroup established a dedicated consumer product group for emerging markets, giving concrete shape to its desire to expand retail banking in less developed economies.

With its presence in 80 emerging markets, the bank refocused its efforts on the growing middle classes.

Frequent policy changes throw spanner in wheel

BADA, BARVIDA slam proposed supplementary duty

M ABDUR RAHIM

Decrying the supplementary duty proposal on automobile import, car sellers yesterday said frequent change in tariff structure will hamper auto business.

Bangladesh Automobile Distributors Association (BADA) Chairman M Salahuddin said proposed supplementary duty will threaten business of new cars and government's bid to lessen environmental pollution as well.

When people are increasingly getting interested in buying new cars due to rationalisation of tariff structure in the current fiscal year, the government has proposed introduction of supplementary duty on motor vehicles, Salahuddin, also a director of MAM Automobiles Ltd, told The Daily Star over telephone from Chittagong yesterday.

He said automobile importers will meet finance minister soon to request him to withdraw the supplementary duty proposal.

Bangladesh Reconditioned Vehicles Importers and Dealers Association (BARVIDA) President Abdul Mannan Chowdhury Khasru also slammed the budgetary proposal of supplementary duty on car import.

He said price of a 1300cc car will be increased by Tk 1 lakh if 15 per cent supplementary duty is imposed.

"As depreciation valuation for reconditioned vehicles was abolished in last year's budget, the price jumped to unaffordable level. And the new supplementary duty will throw the price beyond middle-class affordability," he said.

Though customs duty ceiling has been proposed to reduce to 30 per cent from 32.5 per cent, total tax on a car of 1300cc is to rise to 78.5 per cent from previous 59 per cent, he said.

Finance and Planning Minister M Saifur Rahman in his budget

address on Thursday also proposed introduction of 40 per cent supplementary duty on car having a cylinder capacity of 1,650cc to 3,000cc and 75 per cent on 3,000cc and above.

Khasru said if depression valuation for reconditioned microbus and minibus is withdrawn in the budget, importers will feel encouraged to import such public bus which will reduce commuters' plight.

He, however, appreciated the government for withdrawing ban on reconditioned vehicles to be used as taxicabs.

According to BARVIDA, six lakh cars ply on Bangladesh roads of which only 10 per cent are new. The rest 90 per cent are reconditioned cars imported mainly from Japan by BARVIDA.

Bangladesh's annual car demand is around 20,000.

Taka gains grounds against dollar

BSS, Dhaka

Taka gained grounds against the US dollar in this inter-bank trade yesterday due to lower import payments and disappointing US economic data, foreign exchange dealers said.

Against the major currencies, the greenback also lost its grounds as weak US economic data sparked speculation of a fresh interest rate cut by the Federal Reserve, they said.

Dollar traded at 58.37-58.42 to taka compared to its rates 58.42-58.51 to taka on Thursday, dealers said.

The demand for US dollar was very thin from importers as most international foreign exchange markets were closed yesterday due to weekend holiday, they said.

The euro traded higher at 1.1861 dollars from 1.1764 late on Thursday in New York when dollar was traded at 117.41 yen from 117.63, dealers said.

Call money rate eases further

BSS, Dhaka

The call money rate eased further yesterday, thanks to inflow of funds from the government exchequer due to maturity of treasury bills, fund managers of leading commercial banks said.

The overnight money rate ranged between 9.00 per cent and 11 per cent in most deals.

"The present level of call money rate, however, is still high," they said, noting that most private banks are facing pressure on their liquidity mainly due to higher fund flow to the government exchequer.

Corporate bodies are under pressure to pay their tax and payments ahead of June closing.

To push down the spiraling call money rate, the government reduced its borrowing from banking system this week through treasury bills.

UCBL Dhaka area managers' confce held

A branch managers' conference of Dhaka area of the United Commercial Bank Limited (UCBL) was held in Dhaka on Wednesday, says a press release.

Speaking at the conference, Hamidul Huq, managing director of the bank, urged the branch managers to revamp the operational activities by expanding overall business, widening credit portfolio and strengthening recovery works for ensuring higher profit to face the challenges in the mainstream of the banking sector.

Md Salauddin Gazi and B H Chowdhury, deputy managing directors, divisional heads at head office and in-charges of Dhaka area branches attended the conference.

The conference evaluated the performance of all branches of the bank and took measures to achieve the half-yearly target set for June 2003.

BGMEA decries VAT on raw material imports

Reduction of corporate tax hailed

STAR BUSINESS REPORT

The garment exporters expressed delight over proposed reduction in corporate tax in the garment and textile sector but criticised the proposal to impose value added tax (VAT) on import of raw materials for some accessory items.

The garment exporters also expressed disappointment over the lack of policy guidelines for developing backward linkage industries and special allocation for cash incentives.

"Reduction of corporate tax from 30 to 10 per cent is a positive sign but the lack of policy guidelines for backward linkage industries is also sad," observed Quazi Moniruzzaman, president of Bangladesh Garments Manufacturers and Exporters Association (BGMEA).

Attractive measures could have been provided for reducing manufacturing costs, the BGMEA presi-

dent told The Daily Star.

The government should do more for increasing the competitive edge of the garment exporters after the phasing out of quota facilities, said Zahid Akbar Chowdhury, managing director of the Dynasty Group.

Moreover, establishing a central bonded warehouse for reducing lead time is also essential, Chowdhury added.

The BGMEA has demanded withdrawal of VAT on the import of raw materials for poly bag, hanger, cartoon and accessory items. It also criticised the proposal to impose an unconditional bank guarantee of 25 per cent of the admissible custom duty on the items.

These would increase the cost of the products, it said.

The garment exporters observed that the budget did not propose withdrawal of VAT on services against import of raw materials for 100 per cent export oriented garments industry.

"We have to pay VAT at various stages, a portion of which we get back only after bribing officials," alleged a garment exporter.

"For making the sector more competitive in international market, the government should have withdrawn import duty on spare parts and other raw materials" said Monjurul Haq, president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).

According to some garment exporters, reduction in corporate tax would help the sector gain competitive edge and survive in the quota free markets only if other related factors are taken into account and the problems are addressed.

To gain competitive edge there should also be more capacity building at the Chittagong port, easy customs clearance, infrastructure development and skilled manpower, they observed.

Proton keen to set up plant in Bangladesh

BSS, Dhaka

Malaysia is keenly interested to establish an assembling plant for manufacturing Proton brand motor cars in Bangladesh.

Chief Executive of the International Trade Department (ITD) of Proton Aznita Bt. Nazir Abdul Aziz expressed this willingness during a meeting with Advisor to the Ministry of Commerce M Barkatullah Bulu at his office yesterday.

The ITD chief executive expressed the hope that assembling of Proton brand cars in Bangladesh would open a market for its vehicles as well as spare parts at a comparatively economic price side by side with creating new jobs in the country.

Barkatullah Bulu welcomed the proposal of Aznita Bt. Nazir Abdul Aziz and said the present four-party alliance government in Bangladesh

was giving top priority to foreign investment in the country.

He assured the Malaysian executive of all cooperation from the government to set up the Proton car assembling plant in Bangladesh.

Referring to the excellent trade and investment relations existing between Bangladesh and Malaysia, the Advisor said such a plant would further strengthen the bilateral ties between the two countries.

RMG buyer for cutting lead time, ending child labour

STAR BUSINESS REPORT

A leading US importer of Bangladeshi apparel yesterday said Bangladesh can improve its trade with the US by reducing lead time and eliminating child labour from the industry.

"If the manufacturers and exporters do not meet these requirements, it will be very hard to compete in the quota and duty-free regime after 2004," said Danny D Holmes, a senior official of Oxford Products (International) Limited.

Oxford Products is a leading importer of Bangladeshi garment products with an annual import volume of around \$80 million.

The company supplies top US stores that include heavyweights

like WalMart, Target, JC Penney.

Janet Skaggs, manager of Quality and Compliance Division of Oxford Products, gave a presentation on changing requirements, which need to be addressed by Bangladeshi exporters to qualify to enter the US market.

The exporters should send the sample of orders to the New York office within the specific period of time, said Danny D Holmes.

"Employees of the garment sector in Bangladesh should not work more than 12 hours a day and in case of emergency the maximum working hour should be 14 hours," said Holmes.

The factories should have proper working environment with adequate light, sufficient fans, fire

extinguishers, pure drinking water, a good number of toilets, chemical storage and personal protective equipment, Holmes added.

In reference to human rights, Holmes said there should have days off for the employees and opportunities for female workers. And child labourers should not work, he added.

He also said present deteriorated law and order, lengthy customs process, and limited facilities at ports are impediment to Bangladeshi export.

Jim Pressley, president of Women Wear Division of Oxford Products, presented the Best Vendor Award-2002 to apparel exporter Mahmud Hasan Khan, managing director of Rising Group.

Reform-foes announce silent procession on June 19, protest rally on June 24

STAR BUSINESS REPORT

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Director MA Rouf Chowdhury yesterday resigned protesting the change in the Federation's electoral process proposed by the Ministry of Commerce.

Meanwhile, a faction of general members of the FBCCI under the 'Sanskar Sangram Parishad' banner plans a silent procession on June 19 and a rally on June 24 protesting the proposed reform.

Chowdhury's resignation announcement was made at a press conference at Dhaka Reporters Unity auditorium. He said the commerce ministry unilaterally imposed reforms, which have been facing resistance from the business community for the last 11 months.

"The resistance has manifested in the form of protest meetings, demonstrations, and a movement by the FBCCI Sanskar Sangram Parishad," Chowdhury said.

"In addition to the protests, two cases were filed. The cases are still pending with the Supreme Court," the FBCCI director said.

He said the reform proposal was rejected by 156-4 votes in the FBCCI extraordinary general meeting (EGM).



MA Rouf Chowdhury

"I opposed the proposed provisions for indirect election of president and vice-presidents as well as inclusion of 14 nominated directors with full electoral rights from the very beginning."

"I believe such provisions will seriously harm the democratic traditions, accountability of elected officials and transparency in the electoral process. In my opinion, these are unacceptable provisions. The other provisions in the proposed reform are acceptable to me," he said.

Chowdhury said he opposed a process in which the stakeholders are not consulted.

"In the last seven days, we held

three board meetings, including adjourned ones. In spite of all our efforts, we have not succeeded in making any change in line with the reform proposal. In the meantime, election schedules have been announced on the basis of reforms," Chowdhury said.

"As I fail to bring about any change in the unacceptable parts of the reform, I can no longer serve as director of FBCCI. I oppose parts of the reform. I believe if I continue, I may be seen as supporting the reform. I resign from my position as an elected director of FBCCI in honour of the general body's verdict against reform," he added.

Meanwhile, leaders of FBCCI Sanskar Sangram Parishad yesterday opposed the reform measures.

They also urged the prime minister to solve the present problem.

While addressing a press conference, Helal Uddin Helal, convenor of Sanskar Sangram Parishad, said the group will organise a silent procession on June 19 and a protest rally on June 24 to protest the reform order.

Helal Uddin welcomed MA Rouf Chowdhury for his resignation from the post of director of the FBCCI.

Abu Motalab, FBCCI director, and Delwar Hossain and Khoka Shikdar, members of the FBCCI Sanskar Sangram Parishad, were also present at the press conference.