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General insurers again get into illegal commissions

MONJUR MAHMUD

After a break, general insurance companies are again rampantly procuring businesses with huge illegal commissions.

According to sources in the insurance industry, though commission payments have been prohibited since last year, all general insurance companies are flouting this government rule.

Commissions had been stopped for a short period after the Chief Controller of Insurance (CCI) asked all general insurance companies to follow its order strictly and not pay such amounts. But the companies are paying commissions as high as 50 per cent due to stiff competition among them, sources said.

"Illegal commission payments compel a company to maintain a fake list of employees and push management expenses up, apart from encouraging corruption within the company," said a top executive of an insurance company.

The Insurance Act, 1938 empowered general insurance companies to appoint insurance agents and employers of agents as well as allow commissions for procuring business. Under the Act, the government authorised general insurance companies to pay agents' commission at 15 per cent for fire insurance and 20 per cent for marine insurance.

In the wake of widespread allegation of abuse of the provision, the CCI on 19 December 2001 stopped the facility through an executive order, fulfilling a demand of the Bangladesh Insurance Association (BIA).

But within a week, the CCI kept the order regarding cancellation of commission in abeyance, saying the effective date of the order will be notified later. In another official order on February 10 2002, the CCI again asked all general insurance companies to stop commissions in procuring business effective from 1 March 2002 and strictly follow the order.

Paying commission is now an illegal practice that is going on rampantly. Apart from this, a lot of violations are taking place in the insurance sector. The government should initiate reforms in this sector to save the interest of not only the premium holders but also ordinary shareholders of the listed companies, sources added.

"We are worried about the present situation. BIA is trying to stop this illegal situation," Md Aliuzzaman Khan, managing director of Karnaphuli Insurance Company Limited, told The Daily Star yesterday.

The BIA leaders at a press briefing in January last year said insurance companies are losing their ability to settle claims and are at risk of becoming bankrupt due to unhealthy competition. The companies offer high and unjust commission to their clients, which is generating huge black money.

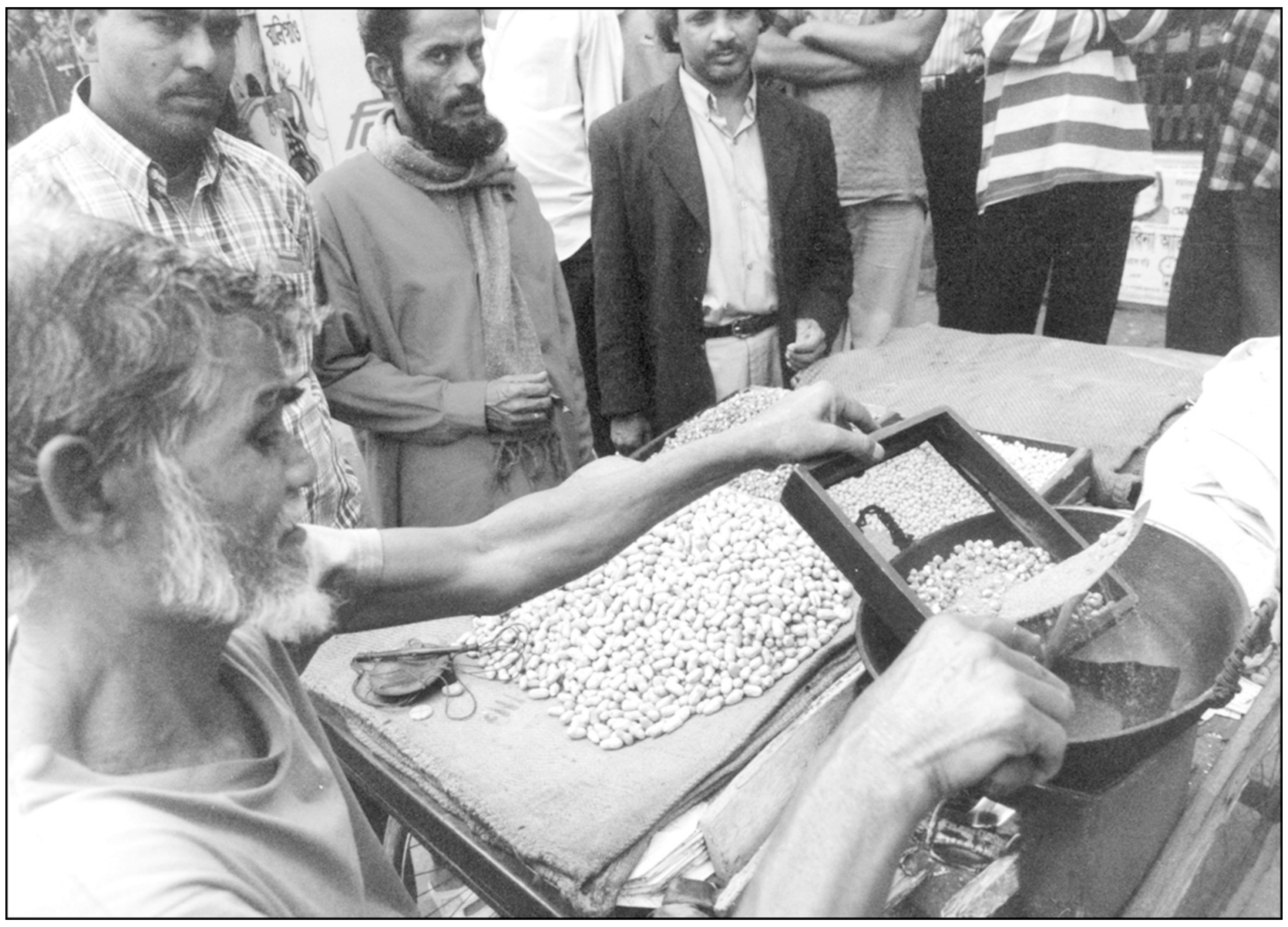

PHOTO: STAR

Shafi Miah fries gram in a pan as his customers look on. The old man earns his living by selling peanuts and grams in Dhaka. A whole day peddling fetches him Tk 70-Tk 100.

Double taxation avoidance deal

Bangladesh sees increased investment from Indonesia

NAZMUL AHSAN

Bangladesh may witness increased investment from Indonesian businesspeople as the two countries have signed an agreement to avoid double taxation.

Sources said investors from Indonesia have already expressed their keen interest to invest in power, tourism and paper industries following the agreement.

A high-powered business delegation from Indonesia may visit Bangladesh in mid-July to explore opportunities in these sectors, Board of Investment (BoI) Executive Chairman Mahmudur Rahman told The Daily Star.

"The agreement to avoid double taxation between Bangladesh and Indonesia, along with Bangladesh's liberal investment policies, have attracted Indonesian investors to invest here," BoI executive chairman said.

According to the agreement, Indonesian establishments in Bangladesh will be charged a maximum of 15 per cent corporate tax, instead of the present 40 per cent.

Indonesian individuals working in the private sector will have to pay 10 per cent income tax irrespective of their salary amount.

Tax facilities will similarly be applicable to Bangladeshi investments in Indonesia, National Board of Revenue (NBR) officials said.

The interest rate for suppliers' credit, bank to bank lending or capital for joint venture between the two countries will get maximum 10 per cent interest rate, according to the agreement.

A 10 per cent royalty will be applicable for an Indonesian company in Bangladesh if it uses local methodology for production.

As per the agreement, income of the first 183 days' of any Indonesian establishment within Bangladesh will be tax-free.

No Indonesian establishment will be taxed in its own country after payment in Bangladesh. Similar tax rebate will also be applicable for Bangladeshi establishments set up in Indonesia, sources said.

BoI sources said the investors of Indonesia have shown interest in setting up three small power plants of 20 megawatt each within the export processing zone (EPZ) areas to meet the present demand.

Investors also agreed to set up theme parks and paper industry. Some other sectors like cement and steel are likely to attract investors, BoI official s said.

The BoI has long been pursuing Indonesian investors to invest in Bangladesh's major sectors.

"We have at least succeeded in changing the negative perception of Indonesian businessmen towards investment security and prospects of doing business in Bangladesh," the BoI executive chairman said.

He added Bangladesh may expect considerable amounts of investment from the Indonesian business delegation during mid-July.

National Housing declares 12.5pc dividend

National Housing Finance and Investments Limited has declared a 12.5 per cent final dividend for the shareholders for the year 2002.

The dividend was announced at the 4th annual general meeting of the company held in Dhaka on Thursday.

M Matiul Islam presided over the meeting, says a press release.

The company earned a pre-tax profit of Tk 4.21 crore during its operation ending December 31, 2002.

National Housing Finance is sponsored by two groups of Non-resident Bangladeshi Investors from UK and Zambia and 18 corporate bodies namely, AB Bank, IFIC Bank, National Bank, United Commercial Bank, IPDC, Eastern Insurance, Eastland Insurance, Jiban Bima Corporation, National Life Insurance, Pragati Insurance, Reliance Insurance, Sadharan Bima Corporation, Bangladesh Lamps, Borak Travels, HRC, Shaw Wallace, Square Pharmaceuticals and Unicorn Equities.

Taka firm against dollar on higher remittance inflow

BSS, *Dhaka*

The Bangladesh taka was firm against the US dollar in thin inter-bank trade yesterday due to higher inflow amid lower import payments even though sentiment on dollar was strong, foreign exchange dealers said.

The dollar climbed against major currencies on Friday in New York the international trading, in a market made volatile by debate over the likely extent of an interest rate cut at next week's US Federal Reserve meeting, they said.

The dollar traded at 58.39-58.42 to the taka yesterday in line with its previous rates on Thursday, dealers said.

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

"But sentiment on dollar was strong as there was a debate over the likely extent of an interest rate cut at next week's US Federal Reserve meeting. But higher inflow through remittances kept the US unit steady against the local currency", dealers of some commercial banks said.

Traders were desperately trying to divine whether next Wednesday's Federal Reserve Open Market Committee (FOMC) gathering would opt for a 25-or 50-basis-point rate cut, analysts said.

A bigger reduction would provide more impetus to the flagging American economy, but would hit the dollar, which reached an all-time low against the euro late last month.

A flow of generally positive US economic data this week had made the more modest cut seem more likely.

They said the euro, meanwhile, dropped to 1.1600 dollars Friday from 1.1721 late on Thursday in New York while the dollar was at 118.35 yen against 118.23 on Thursday, dealers said.

The dollar was being quoted in late New York trade at 1.3277 Swiss francs from 1.3135 while the pound was at 1.6627 dollars from 1.6789 on Thursday afternoon, dealers said.

"The volume of cross-currency trade yesterday was lower", dealers of some commercial banks said.

Call money rate eases further

BSS, *Dhaka*

The call money rate eased further yesterday due to thin money demand from private banks and financial institutions, fund managers of leading commercial banks said.

The overnight money rate ranged between 4.00 per cent and 7.50 per cent in most deals yesterday, fund managers said.

"The demand for call money was very thin from private banks as pressure on their liquidity eased due to fund inflow from government," fund managers of leading commercial banks said.

Janata Bank, Sonali Bank and Agrani Bank had huge surplus funds and lent a call money loans to more than 15 private commercial banks, fund managers said.

PHOTO: NATIONAL HOUSING

M Matiul Islam presides over the fourth annual general meeting of the National Housing Finance and Investment Limited held in Dhaka on Thursday.

Emirates starts 2nd daily flight to Muscat July 1

Emirates is introducing another daily service to Muscat from July 1 on the eve of its first flight to the Oman capital a decade ago.

The new flight will leave Dubai at 2245 hours, arriving in Muscat at 2345 hours, while the existing daily service leaves Dubai at 0815 hours, says a press release.

Bookings commenced from June 15 and the outbound travel requires to be completed within the validity period, July 1 to August 31.

3 East African nations agree on trade tariffs

AFP, *Nairobi*

The leaders of the three-nation East African Community agreed on Friday on tariff structures to govern trade between them, resolving issues that have prevented them forging closer economic ties.

"The three heads of state (of Kenya, Tanzania and Uganda) agreed to set up a zero-percent Common External Tariff for raw material trade between them, 10 percent for semi-processed goods and 25 percent for finished goods," the grouping said in a statement after a two-hour presidential summit in Nairobi.

Malaysia lifts manufacturing curbs on foreign investment

AFP, *Kuala Lampur*

Malaysia has lifted all export and equity curbs on foreign participation in manufacturing to woo investment amid stiff regional competition, Trade Minister Rafidah Aziz said Saturday.

Foreign investors can take 100 per cent equity in new manufacturing projects with immediate effect, irrespective of their export level, Rafidah told reporters.

"We are now able to challenge the other countries vying for foreign investment having that criteria," she said.

"What we have given them is really the icing on top of the cake and I am very confident that given our track record, we will be able to bring in the investors into our manufacturing sector."

The new ruling is not applicable to existing foreign investment but flexibility will be given based on merit, she said.

Malaysia in 1998 allowed full foreign equity in most manufacturing sectors to battle a deep recession, but seven sectors were exempted and the companies must export 80 per cent or more of their output.

Rafidah said the full liberalisation of the manufacturing sector, the mainstay of the economy, was a "good indication of the kind of policies to come" as Malaysia sought to remain competitive.

But she said the government would maintain its policy of progressive liberalisation for certain key sectors such as the financial industry.

"We don't want to be setback because of our lack of openness to foreign investors, but in some sectors we will continue to be cautious like the financial sector ... for very good reasons," she said.

"But for manufacturing, especially for the open market place, this is the way we are going for the future."

Rather than worrying about competition, Rafidah urged local industries to boost their productivity and efficiency so they could venture abroad to ensure their long-term survival.

Malaysia is under pressure from other low-cost producers in the region such as China and Thailand, with approved manufacturing investment in 2002 dropping 36 per cent from a year earlier to 16.53 billion ringgit (4.35 billion dollars).

Local manufacturers have warned weak global growth prospects meant the industry was likely to grow only two per cent this year, compared with a five per cent official forecast.

The Iraq war and the SARS outbreak in the region compounded its woes, forcing Malaysia to cut its economic forecast to 4.5 per cent this year from previous estimates of 6.0-6.5 per cent, and the country last month unveiled a 7.3 billion ringgit stimulus package to bolster the economy.

Russia to host world tea festival in September

REUTERS, *Moscow*

Russia, a traditionally tea-loving nation, will host a world tea festival in September to boost stagnant consumption, organisers said Friday.

"Tea consumption in Russia has stayed at the same level in the last few years, rising, or declining by two to three per cent depending on the year," said Ustim Shteiman, president of the Russian Tea and Coffee Producers (Rusteacoffee) lobby group.

"People over 40 years old keep drinking tea but younger people have started drinking coffee more," he said at the festival's presentation. The event is to be held in Moscow.

Shteiman said Russia consumes annually an average of 150,000 tonnes of tea.

Russia grows only an insignificant fraction of the amount it consumes, importing the bulk of it mainly from Sri Lanka, India and China.

OPEC output eased in May: MEES

AFP, *Nicosia*

Total oil production by the OPEC cartel dropped 212,000 barrels per day (bpd) to 26.69 million bpd in May, the Middle East Economic Survey (MEES) reports in its Monday edition.

Without Iraq, output fell 362,000 bpd to 26.39 million bpd last month, the industry newsletter says.

Barring Iraq, Nigeria and Venezuela, all members of the Organisation of Petroleum Exporting Countries saw a small decline.

France rejects EU farm reform plan

AFP, *Porto Carras*

French President Jacques Chirac said Friday that France will not accept the European Commission's latest proposals to reform the European Union's farm subsidy system.

"France is quite ready to discuss this but the current Commission proposals are not acceptable and will not be accepted by France," Chirac told reporters at an EU summit here.

"That would mean that every one would have to change position, including the Agriculture commissioner," Franz Fischler who has said he wants the subsidy system reformed by the end of next month.

EU farm ministers' talks in Luxembourg broke up late on Thursday with no agreement on compromise proposals designed to rein in the European Union's big spending on agricultural subsidies.

Chirac said he had personally asked for the adjournment of the Luxembourg negotiations.

"I felt obliged to ask the Greek presidency not reach any conclusions last night, but instead to give some additional time to the ministers to find a solution that would be acceptable to all," Chirac said.

The ministers have agreed to reconvene next Wednesday, having already broken off negotiations on the so-called Common Agricultural Policy (CAP) once last week.

The CAP, with its complex system of subsidies, consumes nearly half of the EU's annual budget of 90 billion euros (107 billion dollars).

Its opponents say that by directly subsidising farmers, the CAP encourages massive surpluses that are then dumped on markets of poorer countries.

The most serious sticking point in the CAP talks has been the Commission's attempt to "decouple" the link between the amount farmers produce and the subsidies they are paid, with France the major opponent.

German Chancellor Gerhard Schroeder said he held discussions with Chirac and the current EU president, Prime Minister Costas Simitis of Greece, on the farm crisis.

Iraq's Northern Oil to pump 200,000 bpd from Sunday

AFP, *Baghdad*

Iraq's Northern Oil Co. will on Sunday start pumping 200,000 barrels per day (bpd) through the pipeline that links Kirkuk in the north to the Turkish port of Ceyhan, Iraq's top oil official told AFP Saturday.

"We will keep the oil that we need for the domestic market and the rest will go to export on the pipeline," Mohammed al-Juburi, head of the State Oil Marketing Organization said.

The company will steadily begin selling the crude to the 52 foreign oil companies contracted for refinery work before the 1991 war at Ceyhan, he said, adding: "We are not going to have bids, but we will gradually go to the term of the old contracts."

The first post-war shipment from oil stored in Ceyhan was sold last week in a tender offer.

The State Oil Marketing Organization has reiterated that it is eager to return to dealing with the oil majors that it did business with before the 1991 Gulf War, when it began selling through intermediaries.