

Seminar on
ALTID
Dec 11

A national seminar on "Economic potential of ALTID (Asian Land Transport Infrastructure Development) project" will be held at the Sheraton Hotel here on Thursday, reports UNB.

Communications Minister Anwar Hossain will inaugurate the session at 9 am as chief guest.

Ministry of Communications and Economic and Social Commission for Asia and the Pacific (UN-ESCAP) will jointly organise the seminar.

Japan's industrial
exports rise
sharply

TOKYO, Dec 7: Combined exports by Japanese manufacturers in the six months to September accounted for 22.9 per cent of their overall revenue, the biggest export ratio in 11 years, a daily reported today, says AFP.

The Nihon Keizai Shimbun said the ratio, up from the previous year's 20.2 per cent, reflected their heavy dependence on overseas shipments amid the weak yen and weak domestic demand.

The survey is based on earnings results to 1,619 listed companies nationwide, the Business Daily said.

Their combined revenue at the parent level in the April-September period increased 4.0 per cent from the same period last year, but domestic revenue rose a meagre 0.4 per cent, it said.

Auto manufacturers showed a notable gain in exports, with Honda Motor Co Ltd leading the sector, the report said.

Honda's ratio of exports to total parent-level revenue in the period rose from 50.0 per cent the previous year to 58.3 per cent, while Mitsubishi Motors Corp's ratio of exports surged from 40.9 per cent to 52.2 per cent.

Among electronics giants, Nec Corp raised its export ratio from 18.3 per cent to 19.9 per cent while Fujitsu Ltd's export ratio up from 13.8 per cent to 17.8 per cent, the report said.

Nihon Keizai warned growth in exports would be limited in the second half, depressed by slowing Asian-bound shipments following currency turmoil in the region.

India's forex reserves
fall \$1.87b in Nov

BOMBAY, Dec 7: India's foreign currency assets fell 1.87 billion dollars in November, depleted by the central bank's efforts to defend the rupee, data released by the Reserve Bank of India (RBI) Saturday showed, reports Reuters.

Foreign currency assets with the RBI totalled 24.38 billion dollars on November 28 against 26.25 billion dollars on October 31, the RBI's weekly statistical supplement said.

Foreign exchange reserves, which also include gold and international Monetary Fund Special Drawing Rights, totalled 28.11 billion on November 28, compared with 30.02 on October 31.

While the central bank sold dollars outright on the spot and forward markets, it also masked the size of its intervention through forward swap transactions which have a neutral effect on reserve figures.

The rupee's fall began in mid-August but accelerated last month in the wake of the Asian markets' debacle and speculation fuelled partly by political

uncertainties during the final weeks of the United Front government.

Mid-term elections were ordered last week after Prime Minister Inder Kumar Gujral resigned on November 28 when the Congress Party withdrew support for his minority gov-

ernment.

But the central bank's intervention has been on a lower scale this week as other measures have helped cool the currency market.

The RBI this week announced a hike in its repo rate and increased banks' cash re-

serve ratio requirement to 10 per cent from 9.5 to mop up excess domestic liquidity which it feels has fuelled speculative attacks on the rupee.

The rupee has since recovered from its Tuesday alltime low of 39.90 per dollar. It closed on Friday at 38.80/90.



Golam Mustafa, Managing Director of Janata Bank, addressing a conference of all divisional heads of head office, regional chiefs, corporate branch heads of Dhaka city and Narayanganj. All general managers of the bank were also present at the conference held recently.

Vietnam won't
adjust inflated
currency

HANOI, Dec 7: State bank of Vietnam Deputy Governor Le Duc Thuy said Thursday the bank has no plan to adjust the exchange rate of the currency any time in the near future, reports AP.

"We have to adjust it if necessary but not now and not in the near future," Thuy told reporters. "It is a very sensitive subject."

Vietnam has come under growing pressure to devalue the dong in line with other Southeast Asian countries.

The country's export competitiveness has been eroded by currency devaluations throughout Asia in recent months, but Hanoi remains reluctant to drastically weaken its non-convertible dong.

Footsie crosses 5000-point barrier
London stocks soar following
ROK-IMF bailout deal

LONDON, Dec 7: The London stock market made impressive gains this week, encouraged by the maintenance of the Bank of England's interest rates and the traditional end-of-year rally in stock prices, reports AFP.

The Footsie-100 index of leading shares rose by 311.1 points, or 6.44 per cent, to close the week at 5,142.9 points.

The index of leading shares broke past the 5,000 point barrier once gain, and then 5,100 points, staging a final rally towards the end of the week on the back of a powerful Wall Street.

The London stock market index has now climbed back to levels unseen since October 22, before the Asian crisis began to produce shockwaves in western financial markets.

Like other major global bourses, London also drew some support from improved sentiment in Asia after the deal between South Korea and the International Monetary Fund (IMF) on a massive bail-out package.

The IMF Thursday approved a three-year, 21 billion dollars credit for South Korea, part of an overall rescue package that could total more than 55 billion dollars.

London dealers were also encouraged by the pause in the Bank of England's tough monetary policy. After a two-day meeting, the bank's monetary policy committee decided to leave interest rates on hold at 7.25 per cent.

Lufthansa plans
to expand fleet

FRANKFURT, Dec 7: The supervisory board of German airline Lufthansa on Wednesday said it had approved 3.6 billion marks (two billion dollars) in orders for 15 new planes to expand the company's long-haul fleet, reports AP.

Five of the new airplanes ordered are Boeing 747-400s, with seating capacity of 400. They are to be put into service in the years 2000 to 2002, a company statement said.

The other ten are new-model Airbus A340-600 planes, seating about 330, that are to be put into service in the year 2003.

Lufthansa Chairman Juergen Weber said the order "clearly holds promise for our employees and the German jobs market." Every new long-haul aircraft that Lufthansa puts into place creates "well over 100 new, highly qualified jobs at Lufthansa alone," he said.

Raiding cyberspace rogues

WASHINGTON, Dec 7: Prosecutors and police around the globe are stumbling over geographical barriers in their quest to nab Internet criminals who cross international boundaries with ease, reports AFP.

Seeking to develop an international strategy to put these cyberspace rogues behind bars, justice and interior ministers from the Group of Eight (G8) nations meet in Washington December 9-10.

"The fight against Lawlessness on the Internet will be one of the greatest law enforcement challenges of the next century," U.S. Attorney General Janet Reno said.

The Internet allows a criminal armed with a humble personal computer to swipe military or industrial secrets buried in the databanks of laboratories or companies.

It also allows drug traffickers with encryption technology to swap information about drug shipments and launder vast sums of money.

And from the shelter of a country with tolerant laws, Internet users can transmit pornographic images, publish extremist propaganda and disseminate information about bomb-making.

"National laws reflect national customs and national interests," said Barry Steinhardt, Associate Director of the

American Civil Liberties Union.

Last year German authorities ordered the nation's Internet-access companies to bar access to a site based in Holland featuring Radikal, an extreme left magazine banned in Germany.

The site, which is legal in the Netherlands countered that censorship bid by permanently changing its address.

Another challenge facing the ministers in Washington will be their speed of response.

In 1992 cyberspace pirates operating out of Switzerland invaded the computer network of a San Diego, California, research centre doing work on nuclear weapons.

Notice of RHD Inviting Tender

1. Tender Notice No : 68 BRD of 1997-98.
2. Name of work : Construction of RCC Box culvert at different KM of different roads in different groups under Barisal Road Division during the year 1997-98.
3. Estimated amount : As per Group List.
4. Earnest money : As per Group List.
5. Time allowed : As per Group List.
6. Eligibility of contractors : As per Group List.
7. Name of offices where tender documents will be available : Office of the Divisional Commissioner, Barisal, Executive Engineer, RHD, Road Division, Barisal/Patuakhali/Bhola/Pirojpur/Planning Division (P&D), Sarak Bhaban, Ramna, Dhaka/Sub-Divisional Engineer, RHD, Road Sub-Division, Barisal/Jhalakati/1st Line Workshop Sub-Division, Barisal during office hours on all working day. No tender form will be sold on the opening date of tender.
8. Last date of selling of tender : Up to 5:00 PM on 7-9-1404B/21-12-97E.
9. Name of office where tender bids will be received in sealed cover : Additional Chief Engineer, RHD, Barisal Division, Barisal/Divisional Commissioner, Barisal/ Superintending Engineer, RHD, Road Circle, Barisal/Superintending Engineer, RHD, Monitoring & Evaluation Circle, Sarak Bhaban, Ramna, Dhaka/Executive Engineer, RHD, Road Division, Barisal/Patuakhali/Bhola/Pirojpur.
10. Last date & time of receiving tender bids in sealed cover : Up to 12:30 PM on 8-9-1404B/22-12-97E.
11. Date & time of recording tender bids in sealed cover : At 12:45 PM on 8-9-1404B/22-12-97E.
12. Date, time & name of office where tender will be opened : At 11:00 AM on 25-9-1404B/29-12-97 E. at office of the Executive Engineer, RHD, Barisal Road Division, Barisal.
13. Lottery date & time : At 11:00 AM on 22-9-1404B/5-1-98E.

Group No	Name of work & location	Estimated amount	Earnest money	Time allowed	Ch. to	Eligibility of contractor
1	2	3	4	5	6	7
1 (One)	Construction of 1.52 M span, 2x6.10M width and 3.66M height RCC Box culvert at 4th KM on Barisal-Bhughata Road under Barisal Road Division during 1997-98.	Tk. 1156700/-	23134/-	60 (sixty) days	168/-	"A" to "C" Class enlisted contractors under special Category of Roads Highways Department and "D" Class enlisted contractors under special category of Barisal Road Circle, Barisal.
2 (Two)	Construction of 1.52 M span, 2x6.10M width and 3.66M height RCC Box culvert at 5th KM of Barisal-Bhughata Road under Barisal Road Division during the year 1997-98.	Tk. 1156700/-	23134/-	-Do-	-Do-	-Do-
3 (Three)	Construction of 1.52M. Span, 2x6.10M width and 3.66M. height RCC Box culvert at 13th KM of Barisal-Bhughata Road under Barisal Road Division during the year 1997-98.	Tk. 1156700/-	23134/-	-Do-	-Do-	-Do-
4 (Four)	Construction of 1.52M. span, 24.39M width, 3.66M. height RCC Box culvert on the proposed ferry approach at Bhughata end of Dowarika ferry ghat on 20th KM on Barisal-Bhughata Road under Barisal Road Division during the year 1997-98.	Tk. 2164488/-	43290/-	-Do-	-Do-	-Do-
5 (Five)	Construction of 1.52M span, 12.20 M width & 2.82M. height RCC Box culvert at 24th KM on Barisal-Jhalakati-Bhandaria- Pirojpur Road under Barisal Road Division during the year 1997-98.	Tk. 765639/-	15313/-	-Do-	-Do-	-Do-
6 (Six)	Construction of 3.00M span, 7.32M width & 4.57M height RCC. Box culvert at 2nd KM of Jhalakati-kawkali short Road under Barisal Road Division during the year 1997-98.	Tk. 1292682/-	25854/-	-Do-	-Do-	-Do-
7 (Seven)	Construction of 2x4. 57M span, width & 4.88M. height RCC Box Culvert at 2053236/ Barisal-Karapur-Nabagram-Swarupkati Road under Barisal Road Division during the year 1997-98.	Tk. 29053236/-	61065/-	70 (Seventy) days	-Do-	-Do-
8 (Eight)	Construction of 6.10M span, 12.20M width and 5.4 M height RCC Box culvert on 23rd KM of Barisal-Jhalakati-Bhandaria- Pirojpur Road under Barisal Road Division during the year 1997-98.	Tk. 2674334/-	53487/-	-Do-	-Do-	-Do-
9 (Nine)	Construction of 3.05M span, 7.32M width and 4.88M. height RCC Box culvert at 5th KM on Rawarchar-Chandramohon-Tumchar Road under Barisal Road Division during the year 1997-98.	Tk. 1395998/-	27920/-	60 (Sixty) days	-Do-	-Do-
10 (Ten)	Construction of 2x4.57M span, 7.32M width & 4.88M height RCC Box culvert at 8th KM on Bhola-Laxmipur Road under Barisal Road Division during the year 1997-98.	Tk. 2900619/-	58013/-	70 (Seventy) days	-Do-	-Do-
11 (Eleven)	Construction of 3.05M span, 7.32M width & 6.10M height RCC Box culvert at 9th KM on Rajapur-Uttampur-Nizamia-Neamati Road under Barisal Road Division during the year 1997-98.	Tk. 1047264/-	20946/-	60 (Sixty) days	-C/A	-Do-
12 (Twelve)	Construction of 6.10M span, 7.32M width and 6.10M height RCC Box culvert at 10th KM on Rajapur-Uttampur-Nizamia-Neamati Road under Barisal Road Division during the year 1997-98.	Tk. 2547752/-	50956/-	70 (Seventy) days	-Do-	-Do-
13 (Thirteen)	Construction of 6.10M span, 7.32M width, 5.48M height RCC Box culvert at 27th KM of Rajapur-Katalia-Amua-Bamna Road under Barisal Road Division during 1997-98.	Tk. 2190640/-	43813/-	-Do-	266 Div	-Do-
14 (Fourteen)	Construction of 3.05M span, 7.32M width, 3.66M height RCC Box culvert at 30th KM on Rajapur-Katalia-Amua-Bamna Road under Barisal Road Division during the year 1997-98.	Tk. 1073972/-	21480/-	60 (Sixty) days	-Do-	-Do-

DFP-27527-3/12
G-3048

Executive Engineer, RHD, (CC)
Barisal Road Division.

The report of findings is clean

The conclusion of the Uruguay Round of talks in Marrakesh, Morocco, on April 15, 1994 marked the beginning of a new regime in international trade and commerce. The final agreement replaced the General Agreement on Trade and Tariffs (GATT) and created the World Trade Organisation (WTO). The principal objective of this agreement is to strive for a global economy where trade and commerce between countries are free and fair. The agreement became effective on January 1, 1995. As the advocate of Least Developed Countries (LDC), Bangladesh played an active role in the discussions in Marrakesh. As a signatory to this agreement, Bangladesh formally affirmed its desire to foster the growth of a free market economy. The development of a free market economy requires that entrepreneurs are able to access and exit markets easily. Beginning in 1995, the government of Bangladesh has undertaken several initiatives to liberalise the economy and new initiatives are still under way.

The introduction of Clean Report of Findings (CRF) under the Pre-shipment Inspection (PSI) Agreement signed at Marrakesh is an example of the government's determination to reform and liberalise the economy. PSI is the practice of employing specialised private companies to check shipment details such as price, quality and quantity. The purpose of PSI is two-fold: (1) to protect national financial interest such as prevention of flight of capital and evasion of custom duties, and (2) to compensate and overcome the inadequacies in administrative infrastructure. Often, these two objectives are complementary. However, countries that emphasise the first objective make the PSI scheme mandatory for all imports.

PSI in Bangladesh

In Bangladesh, PSI is voluntary, and the government's stated purpose for its introduction is to facilitate trade transactions. This scheme gives an importer the option to engage the services of a National Board of Revenue (NBR) listed PSI company that performs the inspection and price certification, and issues a CRF. If the CRF is in order, the importer can release the goods from customs within 24 hours. However, if the customs authorities feel that the declared value of imports are low causing a loss of revenue to the government, they can refer the case to the Appellate Tribunal for adjudication. The Appellate Tribunal can impose fines up to three times the value of imports on the importer and the inspection company. Also, if the Tribunal finds against the inspection company, the government may draw against the performance bond that each of the four approved inspection companies have already posted with the NBR.

Before the introduction of PSI, importers had to pay duties on the tariff value or recorded value of that item. Prices in in-

ternational markets are dynamic and change every day. Tariff value or recorded value fails to take the dynamics of price movement into account and does not change as frequently as market prices. If the tariff or recorded value is higher than prices in international markets, clearing imports through customs channels is cumbersome and difficult. In many cases, importers have to pay higher duties than what they would pay if the tariffs were based on market prices.

Another problem is that tariffs on all imports are not uniform and some items have lower tariff than others. Therefore, having imports properly classified according to Harmonised Systems Coding (HS Codes) of the Brussels-based World Customs Organisation can also become a point of contention between customs authorities and importers. PSI mitigates this problem because the inspection company classifies the import after physical inspection by professionals who are trained on HS codes.

A young scholar looks into the Voluntary Import Supervision Scheme
in Bangladesh and says there's no reason to do away with
pre-shipment inspection as outlined in the WTO accord. It would
be like throwing the baby with the bath water, he says

The government introduced PSI on an experimental basis and five international inspection companies were approved by the NBR. After the experimental period, in 1997, the government reviewed the performance of the five PSI companies and did not renew the licences of two firms because of unsatisfactory performance. Also, a new firm was added to the approved list of PSI firms. Following the review, the government strengthened the scheme by: (1) creating the Appellate Tribunal to resolve disputes; (2) asking for a performance bond from every approved inspection company; and (3) clearly stating the requirements for licence renewal.

Use and abuse

Being a voluntary scheme, the PSI system in Bangladesh creates a selection bias amongst importers. An importer in Bangladesh does not have to engage the services of a PSI company. If the importer sees no advantage in an inspection company's service, he will not spend money on a PSI company. The fee of an inspection company makes sense when the tariff or recorded value of an item is higher than the price in international markets. Therefore, it should be of no surprise when one observes that a large number of the Current Market Values (CMV) certified by inspection companies tend to be below the tariff or recorded value. If the tariff or recorded value is below the prevailing market price, an importer has no incentive to engage a PSI

By Syed Rashed Ali

company unless he foresees problems in clearing the imports through customs. Currently, only 10-12 per cent of imports come through the Voluntary Import Supervision Scheme or VISS; the rest come through the normal customs clearing channels. This indicates that importers do not tend to engage a PSI company.

Since its introduction, VISS has come under severe attack from certain quarters. The recent rhetoric would seem to suggest that VISS is the main culprit for the government's current revenue shortfall. This claim is false and misleading for several reasons.

First, tariff on 10-12 per cent of imports cannot be the main reason for the shortfall in total tariff revenues. What happened to the tariff revenues on remaining 88-90 per cent of imports?

Second, to conclude that the government has had a revenue shortfall because the CMV certified by an inspection company is below the tariff or recorded value is inaccurate. As mentioned, generally, the incentive

that country's economic future. Even in Bangladesh, many of today's large industrialists are yesterday's small importer and trader. Insofar as VISS encourages entrepreneurial undertakings, the scheme has had a positive impact on the country's economy.

There is a loss of revenue to the government but it is more subtle than what the critics of PSI suggest. The loss of revenue is not due to PSI but due to the voluntary nature of the scheme. Occasionally, a PSI company will certify a price that is above the tariff or recorded value. In such cases, the government's tariff revenue should be higher than it would have collected. However, the Commissioner of Customs in Chittagong states that CRFs where the certified price is higher than the tariff value find a way to become lost from the files of customs authorities. In such cases, many importers amend the inspection clause of the L/C and clear the imports by paying duty on the tariff value after arranging the disappearance of the CRF.

At times, one gets to hear a

manufacturers' association or group complain to the government that PSI is causing a loss of revenue to the government and therefore should be discontinued. This is misleading and, in fact, a plea for protectionism. Let us consider the following points.

First, Bangladesh's economic growth depends to a large extent on the performance of the country's export sector. Bangladesh gains if its trading partners open their markets to Bangladeshi products. The country cannot expect its trading partners to open their markets to Bangladeshi products if it creates artificial barriers to imports. Besides, protectionism is a dangerous path, and will eventually evoke a retaliatory response from a trading partner.

Second, imports encourage competition, and competition promotes economic efficiency. The Marrakesh agreement has ushered in a new era of fair competition where flow of goods and services will be without unfair barriers of entry. In such an environment, a company or country will have to be efficient to prosper.

Third, protectionism only benefits a small group and hurts consumers and society at large. Consider the case of cement. Currently, there are six private cement factories in Bangladesh. These factories do not produce cement from Bangladesh raw materials, neither do they produce cement from lime and sand. Instead, these firms import cement clinker and make them into

cement powder. Recently, these firms complained to the Ministry of Commerce that they could not compete with imported cement because imported cement was of lower quality and, therefore, cost less. They also said that cement importers were taking advantage of PSI scheme to pay low tariffs and, therefore, cement ought to be out of the list of items covered by PSI. Considering this complaint, the NBR, after consultations with the Ministry of Commerce, de-listed cement. Within one week of the de-listing the retail price of cement increased by 25 takas per bag. Today, the price per bag is forty-five to fifty takas higher than what it used to be before the de-listing. Clearly, consumers of cement (prospective homeowners, builders and even the government) did not benefit from this action. On the other hand, the six manufacturers of cement came out as winners. This, then brings into focus the question: Whose interests should the government protect? Consumers or a small group of producers who have difficulty in competing in the market-place?

Finally, every individual or business unit would prefer to pay lower taxes than higher taxes. Therefore, one has to be skeptical when one hears a business association complain about the government's loss of revenue because of PSI. Would these business associations support an increase in the income tax or value added tax (VAT)? These measures would mitigate the revenue loss caused by an economic slowdown but would it be desirable? The answer to this question is known. Therefore, these attacks on PSI under the veil of revenue loss are a ploy to obtain a competitive advantage in the market-place.

Not an easy process

PSI is not an easy process and periodically there have been problems occurring in certain cases. These are however isolated events. The custom authorities are aware of these problems and continually refer such cases to the Appellate Tribunal under-invoicing. The Appellate Tribunal decides on these cases after considering all the information and data available. Additionally, as a pre-condition for renewal, an inspection company will have to win half of the cases before the Appellate Tribunal. Hence, if one cares to go beyond the rhetoric and examines the issue carefully, one would have to conclude that the PSI system is facilitating trade and commerce, and is therefore, achieving its goal. Furthermore, there are institutions and systems that can detect and penalise if the system is abused.

Thus, the rhetoric that PSI ought to be discontinued is like "throwing the baby with the bath water." The bath water may be dirty but the baby is not.

The writer is A-Level Economics Candidate for June 1998