

Iraq attacks US plan to extend oil deal with UN

BAGHDAD, May 16: Iraq on Saturday criticised US efforts to triple the duration of a six-month oil-for-food deal with the United Nations, reports AP.

State-run al-Iraq newspaper called the attempt "a new American ploy and part of an aggressive pursuit" to prolong UN trade sanctions on Iraq.

Under a December 1996 deal with the UN Security Council, the Iraqi government is allowed to sell a limited amount of oil worth two billion dollars every six months. Proceeds from the sales, which are now in their third six-month phase, are to be used to buy food and medicine for the Iraqi people.

The Security Council expanded the deal earlier this year by letting Iraq increase the value of its oil exports to 5.2 billion dollars during the fourth phase. The current phase expires on June 3.

The United States has lobbied to extend each phase of the programme to a period of 18 months, in an effort to boost efficiency and reduce the risk that exports might be interrupted.

Al-Iraq said Baghdad viewed its oil deal with the United Nations as a temporary step and that an extension of its duration could turn it into a permanent measure — "something we cannot accept under any circumstances."

"Such a dubious move by the United States ... will be totally rejected," the daily said.

The oil-for-food deal grew out of economic sanctions the United Nations imposed on Iraq after it invaded neighbouring Kuwait in 1990, a move that triggered the Gulf War.

Unrest undermines investors' confidence in Indonesia

WASHINGTON, May 16: The International Monetary Fund is concerned that deepening civil unrest in Indonesia could slow down the country's economic reforms and delay the return of investor confidence, reports AP.

John Boorman, director of the IMF's Policy Development and Review Department, said Friday it was too soon to talk about any further delays in IMF lending to Indonesia, whose capital Jakarta has been torn by rioting.

"We are anxious to see the reforms continue and we want to continue our support," Boorman said.

Amid the mounting violence, the IMF and its sister institution the World Bank evacuated most of their resident staffers to Singapore Thursday.

"A lot of damage to investor confidence has clearly been done," Boorman said. "It's really an unfortunate turn of events."

As the Asian financial crisis hit last year, Indonesia's currency, the rupiah, lost 70 per cent of its value against the dollar and international investors began pulling their money out of the world's fourth most populous nation. The IMF stepped in with a 43 billion dollars rescue package that included strict austerity measures.

Some analysts have tied the unrest to the IMF reform programme which included provisions that reduced or ended government subsidies of fuel and food products. Others have linked the wave of rioting and destruction to mounting pressure on President Suharto, Asia's longest serving ruler, to step down after 32 years in power.

IMF officials said they would not comment on the political situation or how they thought events will play out.

They are not suggesting any major revisions in the IMF reform programme even though they might have to be more flexible because conditions in the country have taken a turn for the worse.

Indonesian Energy Minister Kuntoro Mangkusubroto said Friday Indonesia would roll back prices of various fuels following widespread protests over price increases announced last week that are part of the IMF programme.

Thai rice shipment to Indonesia unlikely

BANGKOK, May 16: Rioting and political uncertainty in Indonesia is forcing Thai rice exporters to re-evaluate their risks in shipping next month's scheduled 250,000 tons to the country, says AP.

Vorapong Pichpong, president of the Thai Rice Exporters Association, was cited by Thai newspapers Saturday as saying that exporters had still not received letters of credit from Indonesia.

The rice was unlikely to be sent unless commercial banks in Singapore confirm the letters, Vorapong was cited as saying.

The shipment would be the last of a contracted one million tons of mostly low-grade rice to be shipped to Indonesia for the first four months of 1997. Thailand is the world's leading rice exporter.

Kibria reiterates resolve to realise bank loans Footwear manufacturers do not want to pay VAT

Star Business Report

Finance Minister SAMS Kibria has said the government will not bow to any threat while taking actions against bank loan defaulters.

"Some of them are threatening us but the government would continue its own course of action against the defaulted bank loan borrowers," he told the annual general meeting of the Bangladesh Paduka Prastutkarak Samity (Bangladesh footwear manufacturers association) yesterday in the city.

He said that many of the defaulters used their political connections and influences to draw bank loans which could not be recovered, leaving the banks in jeopardy, groaning under the burden of Tk 13,000 crore defaulted loans.

The meeting was addressed among others by local ruling party MP, Hazi Mohammad Sejum, FBCCI president Yussuf Kibria said he could not say

anything in advance about the upcoming budget but assured the footwear manufacturers saying: "Keep confidence in me, I will not do anything harmful for you."

The finance minister said the Awami League government was a pro-people government and it would continue to serve the masses. "The party (AL) was not created by any martial law administrator to put any general in power," he said.

He lauded the farmers and industrial workers for their contributions to keep the nation fed and rolling its wheels forward.

Referring to the problems of the sick industries, he said the government was working to resolve their woes although it was not responsible for them.

Earlier, Yussuf Abdulla Harun, the FBCCI president, said the government should try

to rehabilitate the sick industries, whose owners were victims of quick trade liberalisation process that began in 1992.

Harun observed that some of them became sick due to lack of managerial skills and inappropriate policies adopted by the previous governments.

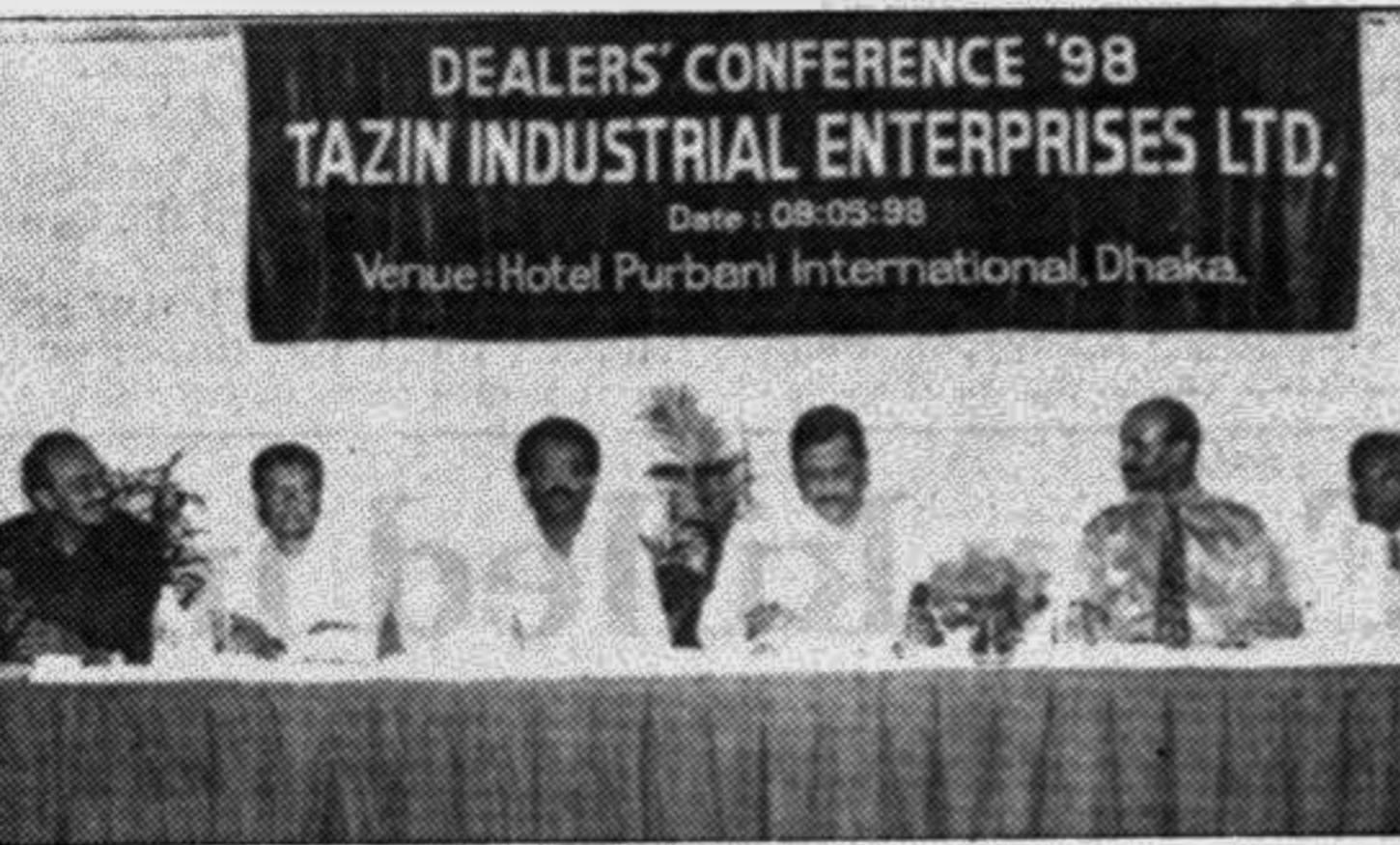
He said owners of the sick industries, who did not default their bank loans willingly, want relief from the strangle-hold of the high interests and accumulated bank loans.

"We do not want undue protection," Harun said adding some local small industries were doing good who needed government's policy support.

"But introduction of VAT would harm them," the FBCCI president said, backing up the demand from footwear manufacturers.



Geoff Williams, Chief Executive-Bangladesh, and Allan Perry, Senior Credit Officer for the Middle East and South Asia Region of Standard Chartered Bank, inaugurated the DADA Cap Manufacturing Factory at Savar on Wednesday. DADA is the world's single largest cap manufacturing factory built on an area of 204,000 square feet. There are 2600 employees working in the factory, producing 60,000 caps per day.



DEALERS' CONFERENCE '98
TAZIN INDUSTRIAL ENTERPRISES LTD.
Date: 09/05/98
Venue: Hotel Purbari International, Dhaka.

The dealers' conference '98 of Tazin Industrial Enterprises Ltd was held at a city hotel recently. Nazmul Hossain Chowdhury, Chairman and Managing Director of the company, presided over the conference while Faezul Huq, State Minister for Jute, was the chief guest.

Pakistan faces serious challenges in sustaining economic reforms: WB

ISLAMABAD, May 16: Pakistan has made good progress in implementing structural economic reforms but faces "serious" challenges in keeping up the momentum, the World Bank said, reports AFP.

The government has made good progress over the past year in implementing structural reforms and stabilisation but faces serious challenges in sustaining them in the future," the World Bank said in a report.

It said Pakistan's "prudent fiscal and monetary policies and an exchange rate adjustment have worked to reduce Pakistan's fiscal and current account deficits and pulled inflation down to the single digit range."

Moreover there has been a modest recovery of economic growth," the report said.

The observation came a day

after the Pakistan Development Forum (PDF), formerly the aid consortium of donor countries, ended a two-day meeting, the first in Pakistan, here on Wednesday previously the forum met in Paris.

Despite these "positive" development, Pakistan's large external debt, estimated at more than 30 billion dollars, has kept the economy "vulnerable on the external front," the World Bank said.

The capital account has "deteriorated" in the aftermath of the recent financial crisis in Asia. There is "continuing weak market confidence" due to the "policy uncertainties and law and order problems" in the country.

The shrinkage of the tax base due to a decline in imports has prevented tax revenue targets from being met," the re-

ports noted.

Pinpointing other areas of concern, the World Bank said currently favourable factors — lower international wheat and oil prices and the increase remittances by overseas Pakistani workers — "may not continue overtime."

It said expenditure cutbacks, including development outlays,

the main source of recent fiscal deficit reduction, cannot be relied upon to bring the fiscal deficit down much further.

The report suggested four key priorities for stabilisation — maintaining and further tightening fiscal discipline, increasing resource mobilisation, revamping state power utilities and containing and reducing reliance on short-term loans.

The government has said its policies, including revamping the banking sector and pruning expenditure, were working.

The World Bank also advised strengthening of administra-

tion and "effective" implementation of income tax in the low-taxed agricultural sector and increased efforts for recovery of bad bank loans estimated at more than 124 billion rupees (2.7 billion dollars).

It called for improving technical capacity, removing labour related impediments to privatisation and strengthening regulatory frameworks.

The government of Prime Minister Nawaz Sharif, which took office in February last year, says it has put the economy on the path of recovery after a record low growth of around three per cent in the year.

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Dealing with tax dodgers

It is believed that a sizable portion of black money is in the hands of bureaucrats. The amount of black money will be nearly 100 per cent of the economy, writes tax consultant Altaf Hossain. Tax evasion not only leads to inflation but also increases the cost of essential goods, he says.

system. But other estimates show a much higher black money figure. It is also claimed that sizable portion of black money is in the hands of bureaucrats. The amount of black money will be nearly 100 per cent of the economy. Black money always creates a parallel economy detrimental to development and against the interest of the economy. There is a tendency among the assesses not to part with their hard-earned money avoiding the payment of tax which is legitimately improbable upon them. There is a fear among the assesses that they will be harassed if they show higher income. The tax authorities used to treat the files of higher income group as core ones leading to the more scrutiny and investigation of the files. Moreover, these days, the inquiry reports of inspectors cannot be considered trustworthy. Law provides that such report should be disclosed to the assesses for his rebuttal. Otherwise natural justice is denied.

It was estimated that direct taxes contributed Tk 2,723 crore which contribute 19.34 per cent of total tax. The evasion which is within the four walls of the law is regarded as avoidance. It is always accepted fact that the country's tax system is such that people are compelled to adopt these measures for evading tax. There are certain provisions to check the

avoidance of tax, even through transfer of assets, transfer of securities and through non residents. There is also a provision for imposition of penalty for concealment. Sections 164 to 171 of the Income Tax Ordinance 1984 also provide for criminal sanction. But all these provisions are not enough to check the evasion.

Revenue collection during the first half of 1997-98 was running short by about 550 crore against the target of Tk 6,803.29 crore. This shortfall has affected the financing of ADP projects. The income tax collection also fell short by Tk 29.90 crore and other tax and duties by 5.48 crore. The shortfall has been attributed to evasion of duties by importers and also car importers.

The evils of evasion are many. The honest taxpayers have to bear and shoulder the heavy burden of dishonest tax payers who practice unfair means in payment of just and due share of taxes. Tax evasion not only leads to inflation but also increase the cost of essential goods. The businessmen always invest their black money in trading and in land creation of artificial scarcity.

Evasion requires secret account, manipulation of invoices, vouchers, bills, accounts, secret hiding place, secret investment in immovable properties and also having a foreign account. Once tax evasion becomes national sport with or without secrecy, it becomes extremely difficult to rebuild tax compliance.

Criminal proceeding is not a weapon to unearth the evasion under guise of tax raid and criminal prosecution. An honest businessman can be branded as tax evader. He loses his image for the honesty if an attempt has been made to unearth untaxed income wrongfully.

The government, from time to time, has offered amnesty to tax evaders to disclose their true untaxed money and to pay tax at a lower rate for starting a fresh life. But these attempts have failed to make much headway. In pre-1971 days, tax amnesty was also given in 1958 and 1969. In undivided India, the government tried to combat inflation and also black money by withdrawing higher denomination note of Rs 1000. A similar measure was also adopted in 1972 by withdrawing 500-rupee notes.

Tax evasion exists both in developed and developing countries. In India, the government launched a voluntary scheme known as *Tyagi* to facilitate the disclosure of suppressed income by announcing certain immunities from penalty and prosecution. The Indian government was able to collect 110 crores rupees. This scheme was similar to the confidential method of the United Kingdom in 1970 and a similar method of compromise under the internal revenue code of the

United States of America. After a gap of 14 years, the Indian government introduced two voluntary schemes similar to that of 1951 in 1965. India introduced another voluntary disclosure in 1975 and then again in 1980. Amnesty was given if untaxed income is converted into national gold bond.

Thereafter, the Remittance of Foreign Exchange Immunities and Development Bond Scheme in 1991, the Voluntary Deposit (Immunities and Exemption) Act 1991, the National Housing Bank (Voluntary Deposit) Scheme 1991, the Gold Bond (Immunities and Exemption) Act 1993 were introduced. But the voluntary disclosure Income Tax Scheme introduced in 1997 was probably most successful, which generated US\$ 2.6 billion. Previously, tax evasion in India used to be punished by law. But following the end of the latest amnesty, the tax term was to be introduced. Another distinct feature of this disclosure scheme is that it relates to all other periods including the assessment year 1997-98. The income shown in this scheme will not from a part of total income as required to show in the return to be submitted under section 139 (1) of Income Tax Act 1961.

India has also introduced Scheme of Advanced Ruling which resulted in the largest number of non-residents taking shelter under this scheme.

In Bangladesh, similar measures are required to unearth black money, either by amnesty or by withdrawal of currency of high denomination notes of Taka 500. Like VDIS of India, the Bangladesh government must also advertise regarding the amnesty and the results of not furnishing such returns. We must ensure that the declarants feel confident that they will not be harassed.

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The opposition Labour Party, forced out of power by the coalition, accused the prime minister of gambling with the fact that there is no majority in parliament interested in toppling the government.

The conservatives view the budget proposal as a declaration of war because of the numerous tax increases.

Specialised textile assoc urges govt

Help rehabilitate 'sick' units before budget

Leaders of Bangladesh Specialised Textile Mills and Powerloom Industries yesterday called upon the political leadership of the government to help implement its earlier decision of rehabilitating the 'sick' member units of the association before the forthcoming budget announcement, reports BSS.

The units owe to different banks an amount of over Taka 300 crore, he said. It needs at least Taka 1500 crore for the first phase of rehabilitation, while the total rehabilitation will need an estimated Taka 4000 crore, he added.

Among others, Senior Vice President Liqaat Ali Bhuiyan and Vice President of the association Shahjada Mia said all the identified sick industries are belong to the specialised textiles and powerloom industries sector.

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