

# Default Is Not Always Our Fault

In an interview given to Toufique Imrose Khalidi, new president of FBCCI Abdul Awal Mintoo speaks out in defence of the business community, saying tax evasion is low and loan default is not a private sector phenomenon.

Even before becoming the President of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) this year, Abdul Awal Mintoo towered above most in the business world. But his undoubted charisma and charm went hand in hand with controversy. The FBCCI election was a bitterly-fought affair, even though the results turned out to be a landslide for the Chairman of the Multimodal Group of Companies. Regarded as a highly-influential figure in political circles, Mintoo evokes both admiration and envy. The Daily Star spoke to Mintoo in the lobby of the Sheraton Hotel to find out more about the man, his business and his politics. Here are the excerpts:

**DAILY STAR (DS):** How do you look at today's overall business scenario?

**ABDUL AWAL MINTOO (AWM):** I look at it quite positively right now. If you look at the normal macro economic fundamentals, it looks quite sound. However, if you take the issues specially employment into account, we still have a lot to do. It is getting better as our internal economic growth is taking place, the economic dynamics is taking shape, and export is going up. These are all creating jobs. Nevertheless, the rate of investment has to increase so that three million people coming to the job market every year can find work.

If you look into our balance of payment and (foreign exchange) reserve situation -- which was 1.6 (US) billion in the beginning of 1997 -- it is now almost like 1.9 (US) billion and is quite stable.

And the rate of inflation is between 7 and 8 per cent which seems not bad for import-based production base while the value of the currency is depreciating continuously.

So, in aggregate, I think that all the macro-economic fundamentals are, I would not say, quite strong, but I would definitely say quite stable and sound for the time being.

From that point of view, I look at it quite positively. Nevertheless, at the micro level, I think that there's a lot of contradictory thinking among the policymakers in the government.

Personally, I believe that in an economy like ours, we should not worry too much about the deficit budget. Even if you look at the IMF's prescription -- recently they are shifting their fundamental policy. Three years ago, IMF and World Bank would be very upset with deficit budget. But if you look at what they have accepted lately in Thailand, Malaysia, and Indonesia accepted the deficit by prescription. In fact, they agreed with the Indonesian government to allow a 8.5 per cent deficit of the GDP. If you look into the last budget, the British Government has by purpose decided to go on 50 billion pound deficit in the budget.

So, I am believer of the initial Keynesian theory, that is, it does not matter if you have to go on deficit in order to create the



Abdul Awal Mintoo: Politically-connected leader of business

get in 1930, and they did not have a surplus budget until 1997. They took for more than 60 years to get the surplus budget. Let us go on for 10 years at least to stimulate the growth and then the government planners and the economists may start talking about eliminating budget deficit. Looking at various countries in the world today -- such as Thailand, Indonesia, Malaysia and even Britain -- we should go on deficit, for stimulating the economic growth, creating employment and increasing production to meet local demand as well as for export.

Giving us 10 years of expansionary economic policy would be good enough to make the judgement what kind of policy we should have in the future.

**DS: Now tell us what are the real problems for business today?**

**AWM:** For a good business and investment climate and environment, you must have certain fundamentals in order. Even though many people think

started during the period of President Ershad and he had invested heavily in the road sector. And the good thing is the same policy continued. In fact, the present government has even increased the emphasis.

As regards, our telecommunication, I think we are still far below the level we ought to have had. I think the basic line has to be improved tremendously though we are not feeling the problem because of the cellular telephone. Because cellular systems are taking care of the immediate problem of the general customers. But truly speaking, our basic line has to improve substantially and the government must privatise the basic line for both improving the services and increasing the number.

Coming to the power situation, everybody knows what is the problem with the power supply today. We are talking about shortage of power something like 400 megawatts. I believe our real shortage is something like 1500 megawatts if you add the suppressed demand. We are in fact suppressing the demand. In every civilised society or in an industrially developed society, if you ask for the telephone, you get it the same day, not the day after. You ask for power, you get it the next day.

Here you do not get the power line when you want. You cannot judge the demand in terms of shortage based on the connection already given. Load shedding is taking place where only the connection is given. There are thousands, perhaps millions, who are in need of electricity and are waiting for it. So when you add up that demand, I think our real demand or shortage will be at least 1500 megawatts.

And mind it, today our GDP (growth) is 5.5 per cent on an average. The rule of thumb says the demand for power usually increase by 2 to 2.3 times that of GDP growth. So for every per cent of GDP growth, you need extra 2.3 per cent growth in the power supply. The current 5.6 per cent GDP growth means our minimum required growth in power supply should be at least 13 per cent. But I think Bangladesh is in a position to go into 7 and 7.5 per cent growth bracket in the next two or three years.

Then one must also look at the reasons why an account becomes non-performing. Who pays for the loss of production during hartial, flood, natural calamities, corruption, delays, red tapism, lack of infrastructure, port closure, gherao, political instability, inconsistency in government policy, high tariff and duty structure, politicised labour, inefficiency in bureaucracy. All these increase our cost of production. The industry loses money and the borrower cannot pay on time.

**DS: Now tell us something about the big problem -- the problem of default culture, the loan defaulting borrowers getting away scot-free. There is a feeling among people in general as reflected in the media that this acts a unifying factor for businessmen of different interest groups. How far is this justified? How far are you at FBCCI going to go to protect the defaulters?**

**AWM:** There is no question of protecting the bad borrowers or defaulters. I would rather say that the law of the land should take its own course. In no way and under no circumstances, we at the FBCCI are going to take a position against that. Laws must be applied fully. But it has to be done in a rational manner.

There is hardly any country in the world where bad loan is not a problem. Almost all the countries in the world have an average of 20 per cent classified loan portfolio.

So, it is natural that we cannot be exceptions in a country where institutions are still weak, regulatory mechanism is still evolving and all reforms that are needed to streamline the system are yet to take place. We cannot improve the situation suddenly.

In fact, there is some misconception about the whole

thing, and may be some misrepresentation of facts. One should understand that all classified and overdue loans are not bad loans, but the public is getting a different perception, which is far from the reality. Loan giving and repayment is a continuous process. Today's non-performing account will be a regular account tomorrow. This must not be politicised.

In this regard, I would suggest the government should set up a committee to find out how much is really bad debt. Of this bad debt, how much has been carried over from the Pakistan days, how much in the private sector, how much of the bad debt portfolio is interest and penal interest or other charges added to the account. Also how much of the bad loan is in the government sector.

There is another problem. Sometimes it is difficult to assess our tax. Our business people or their employees are not educated enough to record their sales and profit properly. Thus it is very difficult to determine the exact amount ... how much is the actual profit of a small business or how much they are supposed to pay in tax. But when it comes to big businesses, the scenario is different. I think very seldom can they evade tax or manipulate. For banks, insurance companies or big industries, it is difficult to find ways of malpractice. You can manipulate some figures, but not the book.

And I think our profitability is much lower for industries.

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The issue of bank default is brought to the fore at times deliberately even when the problem may not be very serious. For instance, if there's some kind of pressure to denationalise a state-owned bank, some tend to propagate the idea that the private entrepreneurs are destroying the banking sector. That serves the purpose of the anti-privatisation proponents for the time being. But does it serve the purpose of the state, the people in general. Why don't they say why and how default comes into being? Why don't they say what is the percentage of public sector default in the total bad debt portfolio of all banks?

In fact, a group of people is doing dirty politics with the issue of default. They are always trying to give the idea to ordinary people that defaulters belong to only to the private sector. In reality, which is known to these people, the public sector default is more or less half the total bad debt portfolio of all banks.

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**DS: So, the whole issue of business, bad debt have got a lot to do with today's politics or political establishment...**

**AWM:** Yes, that's a question. Why is there default in the banking sector? For years together, we are fighting unnecessary political battles ... by calling hartial, forcing production to be shut down for no fault of the investors. For no fault of mine, I fail to respond to my buyers in time. Rather I am penalised by my clients in various forms because I failed to keep my commitment. How do I have to pay for it?

Do we have to pay for power failures? Don't I pay for it? Don't I pay for port use? Why should the country's economic lifeline be closed down without any notice? With this kind of a situation, you cannot expect anything better. Business in this country unnecessarily becomes expensive at times. These are costs we are not supposed to take into account when we start up a project.

**DS: A lot of people are talking about the accounting system in Bangladesh, which they say is far behind the international standard. In fact, accountants also admit privately that there's not a single account that's properly audited. Why is ...**

**AWM:** I think our accounting

because of the dual system it is very difficult to enforce the tax laws.

**DS: What would you suggest to deal with what many call massive corruption and inefficiency in the tax collection mechanism?**

**AWM:** Let me list the steps that need to be taken.

Bring government employees under tax net.

Reform and simplify tax return system.

Reduce tax rate.

Audit tax return at random only and save human resource to go after who are not filing tax return at all.

Those who are filing tax returns first time -- their return should not be audited for the first three years.

Divide NBR into two entities

-- a) Customs plus VAT b) Income tax only.

Educational campaign for tax offices as well as tax payers.

Appoint tax ombudsman so that taxpayers can get fair decisions immediately if there is any dispute between the tax department and taxpayers.

Introducing penalty including prison terms for not filing tax return.

**DS: Do you pay your taxes properly?**

**AWM:** Yes, I do. Because as I told you big businesses have hardly any chance to evade taxes.

**DS: How much do you pay as your personal income tax?**

**AWM:** Well, I can't give you the figure right now. I have to check.

**DS: How much, approximately?**

**AWM:** Well, if you come to my office, I can show you the records.

**DS: Why isn't it so that Abdul Awal Mintoo or Salman Rahaman or Aziz Mohammad Bhai is the highest personal income tax payer in Bangladesh? Why is it that a civil contractor from Dinajpur always tops the list?**

**AWM:** Civil construction is something in which profitability is very high. In our businesses, profitability is not that high. And in fact, our income is not that much. We pay corporate tax. My personal income is not that much.

**DS: Before we conclude, let me ask you about one of the most important national issues today. How do you look at the government handling of the process of awarding the gas/oil block to foreign exploration companies?**

**AWM:** I feel government handled the matter in the right manner. Basically, evaluation was done by a very renowned firm of consultants. However, foreign companies are not very happy due to delay in making

## The Week in Review

### Amartya at Home



Nobel laureate Amartya Sen, the first Asian to win the Nobel Prize for economics, came to Dhaka for a four-day visit, starting Dec 16. During the visit, he was given honorary citizenship of Bangladesh by Prime Minister Sheikh Hasina.

Sen's ancestral home is in Manikganj and he had his early childhood in Dhaka, including schooling at St Gregory's in Wari.

He delivered lectures at the Centre for Development Management, and at the National Museum.

### Clinton Goes to War ...

The United States air and naval forces backed by British military aircraft launched a four-day blitz on Iraq, starting Dec 17. President Bill Clinton ordered the air attacks and accused Iraq of violating UN Security Council resolutions. America claimed that Iraq had failed to cooperate with UNSCOM with the arms inspection. Iraq denied the accusations, and termed the attacks as naked aggression. Russia and China joined Arab and Muslim countries in condemning the attacks.

The air campaign was called off on Dec 20, although there are always possibilities that this may start again. The common people and most newspapers in Iraq saw this as a victory. "Iraq does not deserve, but victory with God's help," read the newspaper published by Saddam Hussein's Baath Party.

### ... And Gets Impeached

While the attacks on Iraq were in full swing, the US House of Representatives impeached President Clinton on two counts of perjury before a federal grand jury and obstruction of justice. This made him the first president in 130 years to get impeached, and the second president in 222 years of US history to be sent to trial in the Senate. Clinton was defiant after the impeachment, saying he won't resign. A two-thirds vote would be needed in the Senate to remove him from office.

### Friends of Bill Speak Up

Former presidents of the US Gerald Ford and Jimmy Carter proposed on Dec 21 to end the impeachment proceedings against President Bill Clinton with a bipartisan censure resolution stating that he lied under oath.

The lynchpin would be language stating that Clinton accepted the findings in the resolution. But his admission that he lied cannot be used against him in a future trial.

### Forever Buddies

India and Russia signed a 10-year defence cooperation accord on Dec 21, extending their existing military links to 2010. The agreement was signed during a two-day official visit to India and extends a similar accord which would expire in 2000. The partnership arose from neutral interests and common desire to live in a stable world.

### Teacher's Shame

Prof Shahiduzzaman of the department of the international relations of Dhaka University was suspended on Dec 20 by DU Syndicate for sexually harassing a female student of the university.

The Syndicate took the decision on the basis of an interim report of a fact-finding committee. This is the first time that a teacher of the university has been suspended for sexual offences.

### Murder at Tramps

Film star Sohel Chowdhury was shot dead on Dec 18 in front of club Tramps in Banani. He was shot by some unidentified gunmen in front of Abedin Tower on his way to the club at 3 am. One of his three accompanying friends, Kalam, was also bullet hit. Two bystanders, Dayan, 35 and Nirab, 21, were caught in the crossfire and hurt.

Adnan Siddique, one of the assailants, was caught by two employees of Abedin Tower and handed over to the police. A case was filed with Gulshan thana by Sohel's father. His heartbroken family knew of no one who could do this to him.

### Buriganga Claims 15

At least 15 people drowned on Dec 17, when a privately owned passenger launch partially sank in Buriganga in Narayanganj district. Many were trapped in the launch.

The overloaded launch-Green Arrow was on its way from Dhaka to Munsiganj. The excess number of people (200) and defective settings were the main cause of sinking. The driver and staff of the launch fled from the scene.

### Fatal Attraction

At least six people died and 21 fell sick on Dec 15 after drinking toxic liquor at Fulbari, Feni. According to police sources, these spurious rectified spirits were obtained from homeopathic shops at the local bazaar.

### Doctors Not on Call

Interns of eight government medical college hospitals across the country went on indefinite strike on Dec 16, demanding enhanced remuneration. This caused the closure of the outside patients' Department of Dhaka Medical College Hospital (DMCH) which left many stranded. The only operating unit was the emergency unit on the first day of the strike.

### Baby Taxi's Baby

A woman gave birth to a baby boy in a baby taxi (autorickshaw) on Dec 15 in Narayanganj, on her way to hospital.

Hasi Begum, wife of Shah Alam, was being transferred to DMCH from Narayanganj Hospital when birth related complications arose. She gave birth on the way. Health conditions of both were reportedly good.

### Cop Kills Cop

A policeman shot and killed a fellowcop on Dec 17 at the residence of the deputy commissioner at Babar Road, Mohammadpur. The victim was identified as Naik Mohammad Shahidur Rahman, 35, and the alleged killer as Sheikh Bakul Hossain.

The incident supposedly took place when Rahman, with constable Bakul's negligence was about to lodge a formal complaint. Angered, Bakul shot him from behind.

### Trucks Go Head-on

Ten people were killed and three others injured when two trucks collided in foggy weather on Dec 18, on the Mymensingh-Sherpur Highway.