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FICCI chief on investment prospect in Bangladesh Political stability holds the key

Star Business Report

Bangladesh holds a good prospect for investment in the energy and computer sectors, but much of the country's economic success depends on its political stability.

Beginning with this observation, President of the Foreign Investors Chamber of Commerce and Industry (FICCI) AKM Shamsuddin yesterday said: "It appears that the five-year tenure of the parliament does not suit our temperament. If that be so, our political leaders may think of reducing the tenure. This will help build tolerance amongst the political parties. Bangladesh needs to improve its image to the investors both at home and abroad."

The FICCI chief was speaking at a discussion on "Investment prospect in Bangladesh on the eve of new millennium" jointly organised by Economic Reporters Forum (ERF) and Rotary Club of Metropolitan, Dhaka (RCMD) at Sheraton Hotel yesterday.

"Many experts reviewed our 1998 performance as a disaster. Our growth slowed down and we failed to achieve our targets. But this has to be looked at in a global and regional perspective. We would then see that '98 had not been such a bad year for Bangladesh," Shamsuddin said.

The Bangladeshi currency was devalued by 16 per cent in 1998, which is much better if compared with Indonesia, Pakistan, Korea, Australia or Nepal.

He hoped that despite the unprecedented 55-day flood, Bangladesh would score a four to five per cent GDP growth against the global rate of around two per cent.

Regarding the country's investment policy regime, he said that investors who were feeling contented with the friendly tax measures of FY98, were jolted by changes in FY99. Many of these changes were brought in through SROs and other executive orders.

The marginal benefits reaped from these kinds of



FICCI President A K M Shamsuddin speaks at a talk organised by ERF and Rotary Club of Metropolitan, Dhaka, at a city hotel yesterday.

changes are far less than the extent of damage they can cause," said Shamsuddin. "The competing countries are likely to point to such volatility in our policies to woo investors away."

He said the business community should be consulted before bringing any such changes in the tax regime.

"This will enhance investor confidence and build mutual trust which would be beneficial for all concerned," said the FICCI chief.

Shamsuddin said mundane laws and frequent changes in policy shatter investor confidence.

"If we want investment, we need to have an investor-friendly tariff structure. The present trade-oriented system can be replaced with a rational and balanced system that will

encourage investment without sacrificing competitiveness."

Shamsuddin was in favour of removing the tariff anomalies and curtailing discretionary powers of the lower and mid-level officials.

The present tariff value system should be replaced with a comprehensive Pre-shipment Inspection (PSI), he said.

Reminding that the country could save Tk 30 billion per year by closing down the SOEs, he said that the government could change the economic graphics of the country by utilising this money.

"By annoying a few thousand SOE workers, the government can benefit millions," he said.

Dhaka has also the potential to develop as a regional hub for air transportation.

Shamsuddin said, "Many European airlines are willing to come to Dhaka if modern aviation facilities are made available."

Dwelling on the legal regime, Shamsuddin said the rule of law should be enforced and the age-old legal system reformed immediately.

The enactment of an appropriate law to protect 'Intellectual Property Rights' cannot wait any longer," the FICCI chief said, adding that without deregulating the high-speed data transfer system and opening up satellite communication, software export would be a far cry for the country.

Shamsuddin took a firm stance against currency devaluation as a measure to boost exports.

"Statistics show that our exports did not increase because of taka devaluation," he said, adding that when a country's export was heavily dependent on imports, devaluation of its currency would prove counter-productive."

The FICCI president also wanted a five-year moratorium on trade union and different service associations to expedite economic recovery.

Citing the example of the Chittagong Port, he said: "We could go a long way if trade union activities were stopped for a certain period."

Chaired by Farid Hossain, President of RCMD, the function was attended, among others, by Shamsul Huq Zahid, president of ERF, Rotarian Jagul Ahmed Chowdhury offered the vote of thanks.

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