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NBR's torpidity in re-adjusting crude tariff value proves a bane

Fall in market prices takes toll on local edible oil refiners

By Inam Ahmed and Monjur Mahmud

As prices of crude soybean oil fell drastically over the last four months in international markets, Bangladeshi edible oil refiners had a nightmarish time with the NBR authorities working at a snail's pace to re-adjust the crude's tariff value.

But like every other faulty system, NBR's sluggishness to react to the international situation opened up windows of opportunities for some unscrupulous importers.

Industry sources allege that crores of taka had been drained out of the country by over-invoicing imports, because the tariff value of the crude oil was much higher than its market price.

On the other hand, duty assessment by the Chittagong Customs on tariff value, which is much higher than the actual international price, has left a number of genuine oil refiners and importers in turbid water.

In line with the global market, local wholesale market have also witnessed a drastic fall in soybean oil prices.

The National Board of Revenue (NBR) in a notification on November 18 last year withdrew tariff value on crude edible oil, which was US $555 per tonne.

The Board also imposed a new duty assessment price effective from November 18 and gave responsibility to the Chittagong Commissioner of Customs to review and refix the price from time to time.

"It is very mysterious that a single person was given the responsibility of duty fixation instead of a competent authority, which involves crores of taka revenue collection from edible oil, the second largest contributor to the state coffers after petroleum products," said a source.

The responsibility should have been given to a board comprising representatives from FBCCI, the tariff commission, NBR, Chittagong Customs and the Oil Refiners' Association for the sake of fairness of dealings and transparency, he said.

According to business sources, prices of crude degummed soybean oil (CDSO) and crude palm oil, the intermediate forms of soybean and palm oil, in the international market were US $590 and $675 per tonne on an average in January, 1999.

The average prices of CDSO and palm oil plunged to $525 and $600 in the first half of February and again to $470 and $550 respectively in the second half of the month.

Since March, the prevailing average prices of CDSO and palm oil in the international market are US $450 and $500 per tonne respectively, industry sources said.

The price of CDSO has declined by 140 US dollar and palm oil by 175 US dollar over the past two-and-a-half months.

But the NBR fixed the duty assessment price of soybean at $642 and palm oil at $694, which continued till February this year. The Chittagong Customs reviewed the prices on March 1 and reduced those to $604 US dollar for soybean and $632 for palm oil.

But the review was made too late and the refixed prices were still much higher than the prevailing international rates at that time.

In fact, the Chittagong Customs had failed to make a continuous monitoring of international prices, which was very much needed in this case, said industry sources.

According to them, import of CDSO and crude palm oil during December '98 to March '99 shows a sharp rise.

During the period, 231,000 tonnes of CDSO were imported against 70,000 tonnes in the corresponding period last year, sources said, suspecting that a chunk of the money may have been siphoned off by over-invoicing.

The annual total demand for edible oil in Bangladesh is around 600,000 tonnes, of which soybean and palm oil account for around 400,000 tonnes.

Prices of soybean oil in the country's wholesale market now range between Tk 1350 and 1370 per maund which was Tk 1850 at the beginning of February, said a market source. This currently available oil was purchased at $650 a tonne on an average and the cost was Tk 1650 per maund. But now due to the dropping prices, importers are fearing a loss of about Tk 300 per maund.

Business sources said that there was hardly any possibility of a turnaround in edible oil prices in the country's wholesale market in near future.

"The importers are facing huge losses and the trend will continue until fresh consignments arrive in the country. The pace of fresh imports will be slow because a substantial amount of money has already been stuck up in the sagging oil business," said a source.

Safko Spinning offers 0.8m shares

Safko Spinning Mills Ltd, an enterprise of Saiham Group, has offered 0.8 million ordinary shares of Tk 100 each at per, says a press release issued in city Thursday.

Subscription for the shares began from April 4 and closes on the 18th as per the prospectus.

Safko Spinning was established as a public limited company in June 1994, with an authorised capital of Tk 20 crore. The project is situated at Saihamnagar in Habiganj.

Sonali Bank provided necessary financial assistance to establish the mill with 25920 spindles. Subsequently the number of spindles were raised to 35,040.

The project has an annual capacity to produce 27,00,000 kg of different counts of cotton and polyester yarn.

The main machineries of the project have been imported from Japan, Switzerland and China.

The project has been in operation since April 1997. Recently two modern auto coners of Japanese origin have been imported and will be in operation very soon, which will help to improve quality of products.

The products of the company have earned reputation and, therefore, has great demand in the market. It earned a net profit of Tk 1.3 crore in nine months (January-September) of last year.

Taiwanese team shares experiences with DCCI

A 17-member trade mission representing Taiwan's engineering, electronic and turnkey plants had a day-long business meeting with their Bangladeshi counterparts on Thursday at the auditorium of the Dhaka Chamber of Commerce and Industry (DCCI).

The meeting was jointly organised by the DCCI and Taipei World Trade Cenire (TWTC).

It was a one-to-one business meeting to explore possibilities of bilateral economic and trade cooperation, says a press release.

Nick Chang, Director of China External Trade Development Council (CETRA), led the mission.

Welcoming the distinguished members of the delegation, DCCI President MH Rahman said that Taiwan was an industrially developed country and one of the strongest economies of Asia and there were many opportunities for economic cooperation between Taiwan and Bangladesh.

He informed the delegation that Bangladesh and progressively liberalized its policies relating to import, tariff, export, foreign exchange and investment to attract foreign investors to invest in Bangladesh, adding that it had also opened almost all sectors of its economy including exploration of gas, oil, power, telecom to foreign investment.

He said there were Export Processing Zones at Dhaka and Chittagong and the law of the land allowed having even Private Export Processing Zones.

Rahman also gave an overview of the economy of Bangladesh which was endowed with both human and material resources to be harnessed for development.

The leader of Taiwan Trade Mission, Nick Chang, said he and his delegation were here to share their own economic experience with the entrepreneurs of Bangladesh.

Giving a short presume of Taiwan economy, Chang said Taiwan was a small land with a population of 22 million.

Taiwan was an agricultural land but through hard work and innovative ability they had transformed Taiwan into an industrially developed country.

The Chief Delegate, John JP Lin, in his address mentioned that in some Taiwan textile mills Bangladeshi workers had earned reputation as hard-working and efficient people.

Lin said Taiwan investors and entrepreneurs had not yet made their appearance in Bangladesh but it would be mutually beneficial for them to invest here.

Sjmon Soong, Manager of Taiwan Turn-Key Projects Association, also addressed the meeting.

IMF paints grim picture of Cambodia

WASHINGTON, Apr 9: The IMF Sunday painted a grim picture of the Cambodian economy, citing stagnant growth and little progress toward structural reform, and urged authorities to shift spending from defense to social measures, reports AFP.

International Monetary Fund directors, according to a summary of their discussions on Cambodia released here, said the government should crack down on illegal logging activity and exports.

The fund also called for a freeze on central bank credit to the government to be maintained in order to ensure adequate credit for the private sector.

"Directors expressed disappointment that in 1998 economic growth halted, the riel (Cambodian currency) depreciated, inflation increased considerably and there was little tangible progress in addressing key structural reforms," according to the summary.

In particular they cited extensive tax exemptions and military overspending.

WASHINGTON, DC (United States): Tibetans Kunchok Penden (L) and Kunsang Dolma participate in a protest against China in front of the White House in Washington, DC, Thursday. The demonstration coincided with the visit of Chinese Premier Zhu Rongji who discussed bilateral trade issues and China's entry to WTO with US President Bill Clinton.
—AFP photo

Japanese industries gear up to tackle Y2K bug

TOKYO, Apr 9: Japan's key industries are stepping up efforts to protect themselves from potentially disastrous computer problems at the dawn of the year 2000, a government report said today, reports Reuters.

But while major industries were making good progress in fixing computer programmes and running them through simulation tests, many local governments were falling behind, Kyodo news agency quoted the report as saying.

According to the report, presented to a panel of private sector experts, companies in five key industries — finance, energy, transportation, medicine and telecommunications — were making noteable progress.

In the finance sector, 73 per cent of financial institutions had completed the necessary modifications to crucial computers by the end of December 1998, and by the end of June virtually all will have finished running simulation tests, the report said.

But only 54 per cent of local governments said they had achieved 80 per cent progress towards preventing problems, and only 30 per cent said they had run simulation tests, the report said.

About 60 per cent of Japan's 47 prefectures said they had made more than 80 per cent progress, while 40 per cent had run simulation tests, the report was quoted as saying.

An official said the central government would urge these governments to speed up their efforts, Kyodo said.

The potential glitch, also known as the Y2K bug, could trigger widespread disruption when 1999 turns to 2000 because some computers and software recognise only two-digit numbers to represent years, and could take the zeroes in 2000 to mean 1900.

A senior analyst at a US research institute told Reuters last week that Japan had moved into a higher bracket of nations in its readiness to deal with the problem.

Andy Kyte, Research Director at Gartner Group, said that in a survey based on the fourth quarter of 1998, Japan's infrastructure risk was ranked at level two on a scale of four, along with countries including Brazil, Germany, South Korea, Mexico and Thailand.

At level two, Gartner predicts isolated and moderate risks of power loss natural gas interruptions, air transport disruptions and oil shortages.

In its previous survey, Japan was ranked at level three, along with, among others, Argentina, Kuwait, South Africa and Turkey.

Level one countries include Britain, the United States, Australia, Canada and Israel.

Commenting on the individual sectors, Kyte singled out Japan's major financial institutions as most advanced and the public sector, mainly computers used in government offices, to be furthest behind in their preparations.

Both nations vow to resolve outstanding issues by year-end

US, China fail to strike WTO deal

WASHINGTON, Apr 9: The United States and China failed to reach final agreement Thursday on a market-opening deal that would have cleared the way for China's entry into the World Trade Organisation. Both nations vowed to complete work by the end of the year, reports AP.

President Bill Clinton, speaking after discussions with premier Zhu Rongji, said that both sides had made "significant progress" in clearing away the barriers to China's entry into the WTO but "we are not there yet."

He said both countries would pledge in a joint communique to resolve all the remaining issues this year in time for China to be included in the start of a new round of global trade talks in late November.

Clinton did announce agreement on one of America's major objectives in the meetings with Zhu, a separate deal in which China, effective immediately, agreed to remove barriers to the sale of American beef, wheat and citrus.

Failure to achieve a full agreement Thursday represents a disappointment for China, which has been trying for 13 years to win membership in the WTO or its predecessor organisation, the General Agreement on Tariffs and Trade. But Zhu, appearing with Clinton at a joint news conference, said he believed trade negotiators from both sides had achieved substantial progress, putting a final agreement within reach.

China needs approval from the United States and other major trading powers for membership, but the administration has insisted it will not drop its objections until China agrees to a sweeping market-opening document.

The administration sees these high trade barriers as a chief reason for America's soaring trade deficit with China, which last year hit a record $ 57 billion, the largest for any nation except Japan.

Expectations for a deal had grown in the past two weeks as China agreed to a number of US demands after years of foot-dragging. However, there were areas where China's market-opening offers did not meet US demands.

The administration was fearful that without the strongest deal possible it would be hard to get congressional approval, especially in the current climate of tense US-Chinese relations. Members of Congress are upset over allegations of Chinese thefts of American nuclear secrets as well as a recent crackdown on dissidents.

Under the agreement announced Thursday on agriculture, China agreed to lift its bans on shipments of wheat from the Pacific Northwest and citrus from Florida, Texas and California.

China had imposed long-standing bans on these products on the grounds of worries about plant diseases. US producers, however, have long complained that the bans were not based on sound science but were hidden trade barriers.

Battle brewing in US Congress

Reuter adds: A battle over China's entry into the global trading system is brewing in the US Congress, pitting lawmakers eager to boost business ties against those unwilling to look past Beijing's record on human rights and allegations of spying.

President Bill Clinton and Chinese Premier Zhu Rongji announced on Thursday that negotiators made significant progress on China's World Trade Organisation (WTO) bid and would try to complete a deal by the end of the year.

The White House could use the extra time to lobby Congress to support Beijing's entry into the 134-member global trade body, but analysts said the battle lines on Capitol Hill were drawn and Clinton would face a difficult fight.

Senate majority leader Trent Lott of Mississippi has already voiced his opposition to any WTO pact, along with several other prominent Republicans.

Sen Arlen Specter of Pennsylvania told reporters China should address weapons proliferation and spying concerns before joining the trade club.

Many Democrats say human rights issues must be addressed before China is rewarded with WTO membership.

Some political analysts envision a showdown over China as divisive as recent battles over fast-track legislation, which would make it easier for Clinton to negotiate trade deals, and the North American Free Trade Agreement, that grouped the United States, Canada and Mexico in a trade block.

Japan still supports China's entry

An AFP report from Tokyo says: Japan's Prime Minister Keizo Obuchi said today he still supported China's accession to the World Trade Organisation despite the lack of an agreement on entry between Beijing and Washington.

Obuchi's response came after Sino-US talks in Washington Thursday when US President Bill Clinton and visiting Chinese Premier Zhu Rongji discussed several issues including Beijing's bid to join the WTO.

Obuchi said the Japanese government would continue to support China's bid to enter the WTO.

"We have been supporting (China's bid) since the time of Prime Minister Ryutaro Hashimoto," Obuchi told reporters, referring to his predecessor who stepped down last July after two and a half years in power.

Thailand to close more than 2000 factories in '99

BANGKOK, Apr 9: Despite predictions that Thailand's economy will begin recovering in the second half of 1999, the Ministry of Industry said Thursday that more than 2,000 factories will close this year, says AP.

Cash flow problems, debts, heavy losses and slumping consumer demand are the factors that will lead to most closures, said Ratchada Singhalvanich, deputy director general of the ministry's Department of Industrial Works.

The figure of more than 2,000, which is based on a survey conducted by the ministry, is preliminary and will be revised at the end of the month, Ratchada said.

He expects the final estimate will be lower than the 2,724 closures recorded in 1998. A total of 2,154 factories were shut in 1997, the year economic crisis erupted.

More than 51,000 workers were unemployed by the 1998 closures, and in 1997.

The International Monetary Fund has predicted that Thailand's economy will grow by one per cent in 1999 after contracting by eight per cent last year.

Weekly Currency Roundup

Local Market

During last week (April 4-April 8), demand for US dollar was mainly moderate in the interbank market the dollar demand perked up a little during the second half of the previous week due to payments of imported machinery and chemicals.

The supply scenario of the dollar improved a little as its inflow in the market increased. The greenback traded in the range of BDT 48.6450 to BDT 48.66. Major corporates were also interested to take forward covers.

Trading in the kerb market was moderate and a unit of cash dollar traded between BDT 48.30 and 48.40.

Following a prudent pre-Eid liquidity management by the government, the call rate fizzled down and ranged between 6.5 to 7 per cent. Throughout the week, the call market scenario was insipid as the market was liquid.

Bangladesh Bank accepted Treasury Bills worth of BDT 336.50 crore for 28 days at the rate of 7.69 per cent, BDT 25 crore for 91 days at 8.59 per cent and BDT 1 crore for 364 days at 9.9 per cent per annum.

International Market

In the early parts of the week, US dollar gained against yen as Tankan, a key corporate survey by the Bank of Japan, was a bit weaker than economists had expected.

Portfolio investors' fresh dollar demand also put pressure on yen.

But in the later part of the week, yen was bolstered as Japanese key share index Nikkei gained and the average rose to 225 and closed at its highest since March '98.

Even though the bank of France Governor Trichet's comments helped euro to gain some ground, it was under pressure against dollar on persistent credit easing speculation in the euro zone.

The market is now hoping that the ECB would signal concern if the euro fell further against dollar and the players are also anticipating a possibility of solution to the crisis in the Balkans.

On the last working day of the week, the Bank of England cut Britain's key short- term interest rate by 0.25 percentage point to 5.25 per cent, the lowest level since September '94. — *StanChart Bank*

Bank of England cuts interest rates

LONDON, Apr 9: The Bank of England yesterday cut Britain's key interest rate by 0.25 percentage point to 5.25 per cent, its lowest since September 1994, reports Reuter.

The bank's Monetary Policy Committee, while making no statement after the rate cut, clearly decided an absence of inflationary pressures permitted a further monetary easing despite increasing signs of an economic upturn, economists said.

The MPC's action was echoed later in the day by the European Central Bank, which cut its main, refinancing rate by 0.5 points to 3.0 per cent larger than expected reduction.

The BOE's cut, which was widely expected by financial markets meant the MPC has cut rates in six of the last seven months from a peak of 7.50 per cent last year.

Its only pause was a month ago, just ahead of Chancellor of the Exchequer Gordon Brown's annual budget. The bank's repo rate is now a full point below the level at which the Bank of England was handed responsibility for rates by the incoming Labour government in May 1997.

Britain's banks immediately followed the Bank of England's lead, cutting their base lending rates but holding off on announcements about home loan or savings rates.

Economic data out earlier in the week hinted that industrial production was stabilising, albeit at low levels while output and confidence in the country's much larger services sector was picking up largely thanks to the recent spate of rate cuts.

Other recent data showed underlying inflation at 2.4 per cent, was below the bank's 2.5 per cent target and that economic growth was barely positive. It was this that tipped the balance for the MPC, economists said.

The latest rate cut will also cheer Brown, who has come under criticism in recent months for an overly optimistic growth forecast for this year.

Many forecasters are now revising up their 1999 growth forecasts towards Brown's 1.0-1.5 per cent range and are increasingly saying the economy may achieve the "soft landing" that Brown is hoping for.

While the treasury never comments on the bank's rate moves, officials there are likely to be pleased that the bank cut rates shortly after the budget, which, although broadly neutral in its macroeconomic impact, was widely hailed in the media as a tax cutting one.

Industry, hard pressed by the strength of the pound and collapsing overseas orders, was quick to welcome the decision but also called for more.

"This cut is helpful but insufficient to put the economy firmly on track for recovery," said Lan Peters, Deputy Director General at the British Chambers of Commerce.

Reaction in financial markets was muted. The FTSE 100 share index closed 35.3 points down at 6,4379 having been slightly up ahead of the move.

The pound hit a one-week high against the dollar above dollars 1.61 on the view lower rates may help the economy recover more quickly. It also gained against the euro before settling back again.

Economists said they expected the Bank of England to cut rates again soon but said the through in the current rate cycle may be near.

IIT seminar on human resources from tomorrow

A three-day international seminar on "Human Resources Development for Sustained Economic Growth and Poverty Alleviation as well as Progress in the Member States of the OIC" will begin here on Sunday, reports UNB.

Islamic Institute of Technology, Dhaka, has organised the seminar in collaboration with the Bangladesh government and the Islamic Development Bank.

Foreign Minister Abdus Samad Azad will be the chief guest at the concluding session of the seminar to be held at Sonargaon Hotel at 5 pm on Tuesday.

State Minister for Foreign Affairs Abul Hasan Chowdhury will present as special guest on the occasion, said a press release.

MCCI chief sees welcome features

Policy to help prepare industrial sector for new millennium

Star Business Report

The President of the Metropolitan Chamber of Commerce and Industry (MCCI), Mahbub Jamil, has said the new Industrial Policy will provide a strong ground to prepare the country's industrial sector for facing the challenges of the new millennium.

In a statement hailing the new policy on Thursday, he said that the policy had several welcome features which should be of great help to improve the industrialisation prospects and strengthen the market economy, says a MCCI press release.

The MCCI chief said framed in very close consultation with the private sector, the policy has put strong emphasis on deregulation.

He said the new policy is a comprehensive statement with far-sighted objective of giving industrial sector an increased share in GDP.

He said its success will depend on the fiscal and monetary policies. Equally crucial are capital, technology and skill development.

Jamil said shortage of capital will be the worst constraint. Already, institutional credit has dried up. The capital market is in serious doldrums. These obviously are not healthy signs of a growing industrial base. Equally critical is the morale of the local entrepreneurs.

Presently, he added, most of them have been demotivated by the prevailing investment climate marked by confrontational politics and administrative hindrances, lack of infrastructural facilities, absence of institutional support, etc. Smuggling and unfair imports also pose serious challenges to industrial viability and market mechanism.