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# The Daily Star BUSINESS

DHAKA, FRIDAY, JUNE 25, 1999

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## Bangladesh gets Tk 63.79 b from WB, ADB in 3 years

Bangladesh received Tk 63.79 billion (US\$1417.8 million) from the World Bank and the Asian Development Bank in last three years since July 1996 to implement the on-going projects, reports UNB.

Finance Minister SAMS Kibria gave the figure in Parliament yesterday while responding to Alamgir Haider Khan (BNP-Chandpur).

During the period, the country received commitments of Tk 126.90 billion (US\$ 2748.80 million), Kibria said.

Replying to Haji Selim (AL-Dhaka), he said US\$ 2767.34 million of foreign debts have been waived in last 28 years since the country's independence.

The donor countries, which waived foreign debts, are: Canada (US\$29.80 million), Denmark (\$43.20 million), Finland (\$8.30 million), France (\$119.31 million), Japan (\$1313.77 million), Germany (\$290.50 million), Italy (\$6 million), Netherlands (\$44.20 million), Norway (\$6.26 million), Sweden (\$11 million), Switzerland (\$10 million), UK (\$93.80 million) and USA (\$791.20 million).

## Forex reserve recorded at \$1513.03M

Country's foreign reserve was recorded at US \$1513.03 million as on June 17 this year, the Finance Minister told parliament yesterday, says UNB.

The amount is \$182.78 million less than that of the corresponding period of last year, SAMS Kibria said replying to ABM Abul Kashem (AL-Faridpur).

Last year, the forex reserve was \$1695.81 million.

## Govt procures 5 lakh MT of wheat, rice

Some 2.32 lakh metric tons of wheat and 3.30 lakh MT rice have so far been procured against the target of 2.50 lakh MT wheat and 4 lakh MT rice respectively, says UNB.

The statistics were presented at a meeting of the Parliamentary Standing Committee on Food Ministry at Sangsodhan yesterday.

The meeting, chaired by committee chairman M Sayedul Haque, reviewed the procurement of paddy, rice and wheat, and found it satisfactory, said a press release of the Parliament Secretariat.

It decided to use the unutilised BADC fertiliser godowns on priority basis to preserve additional grains.

The meeting was told that some godowns with capacity of one lakh metric tons would be constructed in the northern region.

Committee members Food and Agriculture Minister Begum Matia Chowdhury, Mirza Azam, M Joinul Abedin Bhuiyan, Bharati Nandi Sarkar, M Joinul Abedin Sarkar and Alhaj Shamsuddin Ahmad attended the meeting. Deputy Food and Agriculture Minister Dharendra Debnath Shambhu was present on special invitation.

## DHL, Post Denmark form alliance

DHL and Post Danmark, the Danish postal service, are to combine their strengths in express distribution in Denmark and abroad, says a press release.

The cooperation will start off in December 1999. Post Danmark will be gaining access to DHL's worldwide distribution network, while DHL will extend its Danish sales channels through national post offices and their sales representatives.

The alliance will offer Post Danmark's customers better all-around services, and also access to the very best integrated express distribution.

Together with post Danmark, which operates the most efficient express carrier system within Denmark Jetpost, DHL offers customers the best possible one-stop solution.

The alliance means faster international distribution for jetpost shipments and greater availability for the DHL service solutions since customers are able to acquire services at post offices all across Denmark.

"Customers will notice tangible benefits in the form of faster and more reliable international distribution. Both DHL and Jetpost are well-established brands. A positive image and a strong cooperation thus serves to further strengthen the profile of both companies," comments Jens Poul Madsen, Managing Director of DHL Denmark.

Alliances between top companies in different niches can bring a major increase in added value for customers. The alliance between Post Danmark and DHL is no exception, building on a shared conviction that together the two will be able to offer customer a better and more comprehensive service.

## Kibria at FICCI luncheon meet on budget

# Opposition's reaction a vent to frustration

Star Business Report

Finance Minister SAMS Kibria yesterday termed the opposition's reaction to the proposed budget a ventilation of frustration and disappointment.

"Prices of essentials have remained stable after the budget and this infuriated the opposition throwing them in utter despair," Kibria said at a luncheon meeting of the Foreign Investors Chamber of Commerce and Industry (FICCI) at a local hotel.

"Those who criticise our revenue collection or export earnings efforts do not understand

that the economy virtually failed to fare well for three months last year because of floods," said Kibria. "There was no production in the manufacturing sector and yet people compare the year with normal ones."

Moreover, the international trade climate was not fair either. "Prices of major export items plunged in the international market, forcing us to give subsidy to export sectors this year."

Replying to another question, he said that the income tax paid during car registration

would be adjusted with income tax return.

Earlier, FICCI President AKM Shamsuddin said the budget was a 'bold one' in view of the target of increasing revenue collection and making the private sector competitive in a global economy.

But, he said there are some provisions in the budget which should be removed to boost trade and industry. He pointed out that the introduction of 10 per cent supplementary duty on the 257 items subjected to pre-shipment inspection (PSI) negates the benefit of duty reductions.

Later, explaining the logic behind imposing supplementary tax on select PSI-mandatory goods, he said that this had been done because the new system would reduce prices of many goods. "This will mean revenue losses and we have imposed the supplementary duty with a view to arresting it. The move will not increase prices of those goods," he reassured.

Shamsuddin said edible oil, pharmaceuticals, paints, health foods, electronic goods and footwear industries will experience increases in their production costs because of supplementary duties.

He feared that the spot assessment system would lead to increased harassment of taxpayers and boost corruption. "It may be more useful if the spot checks are for only TIN and the taxpayer is given a time limit by which he has to file his tax returns under the regular procedure."

Shamsuddin said the extension of VAT net to certain sectors such as tin-shed restaurants or medical services will ultimately pass onto economically-vulnerable consumers and as such, this calls for reconsideration.

He also said that the budget proposal for VAT adjustment by industries within the same fiscal year was an impossible task. "Raw materials imported in May cannot be adjusted with finished goods in June. At least a six months' lead-time must be given."

About the proposed rate of 10 per cent charge on net assets above Tk 10 lakh, Shamsuddin said this is too high and the taxpayers will end up paying more than what they paid before in wealth tax to be replaced by the new system. He recommended that this rate be revised downwards substantially and applicable to assets above Tk 25 lakh.

## VAT a blow to small eateries, say owners

By Mustak Hossain

Thousands of small restaurant owners are likely to be forced to close their business if the government brings them under the value added tax (VAT) net, said the owners of some of the small restaurants in the city.

The proposed budget for the fiscal 1999-2000 (July-June) prescribed to bring small restaurants using more than two electric bulbs and a fan to bring under VAT coverage.

"Budget means a yearly price hike, but this year we were surprised by the proposal to bring small hotels and restaurants under VAT net," said Mohar Ali, owner of a small shop at Nilkhet.

If the government imposes VAT on us then we would be compelled to increase price of foods and services, said another restaurant owner.

"We will have to charge more and this would affect only the low-income people, who are our real customers," he said.

He said, "We understand that the government aims to enhance revenue collection to meet up its expenditure. But would it be a justified way to collect tax from such restaurants?"

He said the owners of such restaurants serve the low-income groups like rickshaw-pullers, cart-pullers, day-

labourers, transport workers etc. So the government must give a second thought before imposing the proposed VAT on us, said another small restaurant owner at Mohammadpur.

Finance Minister SAMS Kibria in his budget speech said, "With the increase with our population and the development of transport facilities, the food service sector has expanded phenomenally."

In order to increase revenue from the hotel and restaurants, all types of hotel and restaurants excluding those without walls/fencing, electric fans and not using more than two electric lights are proposed to be brought under VAT," the minister said in the budget statement.

At present all hotels, restaurants, decorators and caterers outside the metropolitan areas and district towns and "tin-shed" hotels and restaurants located in metropolitan cities and district towns are exempted from VAT.

A large number of restaurants are taking undue advantage of the term 'tin-shed', officials said. "Many of these hotels have very high turn-overs."

Meanwhile, Bangladesh Restaurant Owners' Association has urged the government to withdraw VAT on small hotels and restaurants. Otherwise, members of the association will go for street agitation, its President Khandoker Rahul Amin said.

He suggested withdrawal of VAT on small hotels and restaurants since poor people take food there at cheaper prices.

He said, "Field level tax officials will take advantage of the system and harass the small hotel owners in the name of revenue collection."

"Instead of expanding the VAT net, the government can introduce 'capacity tax' on small enterprises including restaurants," he said.

The association president said this move would shut thousands of small restaurants and ultimately would increase the number of unemployed people.

"We along with restaurant workers would launch a greater movement if the government does not drop the VAT proposal," he said.

## All dist HQs to come under phone network by 2001

Home, Post and Telecommunications Minister Mohammad Nasim told the Jatiya Sangsad yesterday that all the district headquarters would be brought under the digital telephone exchange network by 2001, reports BSS.

Replying to a question from Alhaj KM Abdul Khaleque Chantui (BNP-Kushtia), Nasim said 1,89,000 telephone lines would be installed under the plan, including 3,000 lines in Kushtia.

He said currently there are 3,525 telephone subscribers in Kushtia district.



Finance Minister SAMS Kibria speaks at a special luncheon meeting of the Foreign Investors Chamber of Commerce and Industry held at the Dhaka Sheraton Hotel yesterday. On his left are President of the chamber AKM Shamsuddin, NBR Chairman Abdul Mueyed Chowdhury and FICCI Secretary Jahangir Bin Alam and on his right is FICCI Committee Member Paul Kirkham.

## Grameen idea catching on in US

NEW YORK, June 24: A simple idea to help the poor help themselves in developing Bangladesh is catching on in the United States, says AFP.

More than 20 years ago university professor Muhammad Yunus decided that the economics he was teaching students in Bangladesh was not working.

So with 26 dollars from his own pocket he began lending cash to villagers who were so poor commercial banks turned them away.

Micro-lending was born, and so was Grameen bank, now a two-billion-dollar operation

helping 2.3 million people in Bangladesh, most of them women.

Here recently to promote his new book "Banker to the poor: Micro-lending and the battle against poverty," Yunus spelled out his message to Wall Street bankers.

"Banking has been built on the principle that the more you have, the more you get," he said.

"We have reversed the process and decided that the less you have, the more eligible you are. If anybody tells me that the poor are not credit-worthy, I'll scream and I'll say it's not true."

Inner cities in the United

States are apparently hearing his message.

And since 1995, the People's Fund has been doing the same thing in the United States for ethnic minorities and women locked in poverty.

Nor far from the gleaming towers of Manhattan's financial centre, micro-lending is at work among the poor of Harlem.

The fund is offering loans of 750 dollars repayable over five months or 1,500 dollars repayable over a year to clients commercial banks would spurn.

So far 36 people, more than

two-thirds of them women, have used the loans and repayment rates are 95 per cent. Credit can be expanded to as much as 10,000 dollars once the borrowers show they have put the money to good use after paying back their previous loan in full.

The loan plan, Project Enterprise, is expanding to the New York borough of Brooklyn while in Dallas, Texas, the Dallas City Home project, set up to offer decent housing for the poor since 1989, is now operating a micro-lending arm to help the poor climb out of poverty.

## EU, LatAm, Caribbean states talk free trade June 28

RIO DE JANEIRO, June 24: Leaders from almost 50 European, Latin American and Caribbean countries gather in Rio de Janeiro for a June 28-29 summit that will get key free trade talks under way, reports AFP.

While disagreements were expected, particularly over agricultural subsidies, the June 28-29 summit was given a strong boost when the European Union (EU) agreed this week to begin trade liberalisation talks with South America's Mercosur trade bloc during the meeting of heads of state.

Welcoming the EU's decision, Brazilian Foreign Minister Luiz Felipe Lampreia said it "will have a major impact on

bringing our two blocs closer together."

Mexican Foreign Minister Rosario Green made similar comments, saying recent progress in negotiations for a Mexico-EU accord should also have a positive impact on the summit, which will be preceded by a foreign ministers meeting on Sunday and working sessions by senior officials on Friday and Saturday.

Latin America and Caribbean officials have in the past expressed hope that the EU-Mercosur negotiations would give a strong impetus to efforts to wider free trade agreements.

But officials also warn against excessive optimism,

and the EU representative in Brazil, Bruno Dethomas, said the negotiations "will not be easy."

The Rio summit was due to launch the talks between the EU and Mercosur — which comprises Argentina, Brazil, Paraguay, Uruguay and associate member Chile — but the most crucial parts of the negotiations, touching on tariffs, will not start for another two years.

One of the most touchy issues is agriculture, particularly for France where demands for the eradication of subsidies invariably provoke the ire of farmers.

France is the largest agricultural producer in the European

Union and Mercosur is a major exporter of beef, grains and fruit.

"The sensitivity of certain products, notably in the agricultural sector, should be taken into account in these negotiations," French Foreign Ministry spokeswoman Anne Gazeau-Secret said in Paris this week.

Dethomas stressed that under international trade agreements, agriculture could not be excluded from the negotiations.

During a summit held in Mexico last month to coordinate their positions at the Rio talks, Latin American leaders called for the EU to dismantle subsidies that are widely seen here as unfair competition.



A shopper holds up the controversial talking Austin Powers doll in a Hong Kong toy store on Thursday. Hong Kong authorities are considering banning the talking dolls from the "Austin Powers" film series after parents and legislators complained they were crude and inappropriate for children. The dolls represent characters from the retro spoof spy movie "Austin Powers: The Spy Who Shagged Me".

## Benson & Hedges Lights now in Bangladesh



British American Tobacco Bangladesh, in keeping with their commitment to bring premium international products to local consumers, are now importing Benson & Hedges Lights, says a press release issued yesterday.

The brand is available in Dhaka and Chittagong metro markets from June 20, 1999. Benson & Hedges Lights with white filter tipping gives a smoother smoke without compromising the taste.

"Light cigarette is the product of choice for consumers globally," says Reazul H Chowdhury, the Premium Brand Group Manager, adding that the consumers in our country were following the same trend.

For us, it's an extension of the Benson & Hedges Special Filter which we also import from the UK, said Chowdhury.

It's worth mentioning that the first light cigarettes launched in Bangladesh were State Express Lights and John Player Gold Leaf Lights, also by BAT Bangladesh.

## Black economy undermines EU budget calculations

LONDON, June 24: The European Union's budget calculations have been thrown into doubt by the discovery of untaxed activity on a massive scale, the Guardian newspaper said on Thursday, reports Reuters.

A study by the accountants Deloitte & Touche estimated 40 per cent of Greece's economy did not exist for taxation or other official purposes and suggested Italy's official figure of 16 per cent for the black economy should be nearer 30 per cent.

The paper said the study meant there were serious flaws in the EU's system for calculating national payments to the Union budget which is based on Value Added Tax receipts and gross national product.

The study had been commissioned in 1997 by DG 21, the European Commission's taxation directorate. It had been presented in 1998, but only parts of it were published.

## Bangladesh, Gambia sign agri deal with FAO

ROME, June 24: Bangladesh and Gambia recently signed a tripartite agreement with the UN Food and Agriculture Organisation (FAO) to send Bangladeshi agricultural experts and technicians to assist the agricultural sector in Gambia. The UN Agency announced Wednesday, says a FAO press release.

The cooperative accord, signed under the framework of FAO's Special Programme for Food Security (SPFS), will put the technical assistance services of Bangladesh to work in Gambia for three years, continuing a spirit of cooperation between South Asia and African countries.

The agreement was signed by Bangladesh Ambassador Muhammad Zamir, Gambian Secretary of State Fasinayi Dumbuya of the Gambia's Department of State of Agriculture and the FAO Representative in The Gambia, Helmo Mikkola.

According to the agreement, Bangladesh "will provide the most appropriate technology, material and equipment to maximize technical cooperation in the various fields" including rice production horticultural crops small animal husbandry, artisanal fisheries, aquaculture and small scale water control technologies.

The aim is to help Gambia "improve living conditions of the poor and the vulnerable groups in rural areas," says the agreement.

The effort will be funded by the governments of both countries and FAO.

South-South Cooperation under the SPFS provides an opportunity to strengthen cooperation among developing countries at different stages of development with the support of interested donor countries and FAO, according to UN Agency.

The initiative, which helps countries benefit from the experience and expertise of more advanced developing countries, was launched at the beginning of 1997.

## Tax-free web shopping era coming to an end?

WASHINGTON, June 24: The days of tax-free CDs, antiques, computer equipment, and other goods and services sold over the Internet may be coming to an end, reports Reuters.

Right now, the billions of dollars of goods bought by Web surfers annually are subject to a complex web of taxes levied by thousands of states, cities, counties, and parishes nationwide.

But most of those taxes go unpaid because municipalities have no way to collect them from retailers headquartered in remote sites.

What's more, consumers rarely report the purchases on tax forms since state and local officials lack the resources and political will to track them down.

But key members of a congressionally appointed panel that met for the first time this

week in historic Williamsburg, Va said the time has come for tax "neutrality."

That means consumers buying stereos, shoes and other goods over the Internet should have to pay sales and use taxes just like the millions of people shopping on Main Street.

The hitch, say some of the members of the federal Advisory Commission on Electronic Commerce, is that the nation's 3,000 states and localities must simplify the intricate web of sales taxes they now levy — a massive job, but one that is doable.

Statements by top brass from MCI WorldCom Inc WCOM.O, AT&T Corp T.N., and Charles Schwab Corp SCH.N encouraged the nation's mayors and county executives who had feared that their own representatives on the 19-member panel would be sandbagged by pro-Net

forces.

The commission was mandated by Congress in a 1998 cyberlaw calling for a three-year moratorium on new state and local taxation of the Internet.

Whether Internet vendors should be required to collect sales taxes on goods sold, as sales volume is growing at lightning speed.

According to the University of Texas, the Internet generated over \$300 billion in US revenue in 1998 — a third of which was related to e-commerce.

That makes the United States' Internet economy by itself the 18th largest economy in the world, said Virginia Governor Jim Gilmore, head of the advisory commission, whose state is the home of cybergiants like America Online Inc. AOL.N.

ginia Diner in Wakefield, Va — started in a refurbished railroad car 70 years ago — which has prospered and now sells its famous tins of peanuts worldwide with the click of a mouse at www.virginiadiner.com.

"We stand at the dawn of a new age," said Gilmore, whose panel is made up of eight people from industry, eight representing consumers and state and local governments, and three from the federal government.

Online firms warn that state and local taxes of Web sales would strangle the Internet if enforced. But localities say sales taxes are a life and death issue for them, since they rely on the revenues to build schools, repair roads, and provide other essential municipal services.

Some key commission members said localities have a point.

"I'm a pretty big fan of the Internet and I don't think anyone on Earth wants it to succeed more than I do," said MCI Vice Chairman John Sidgmore.

"(But) I don't think it's feasible over the long term to tax one form of commerce differently than the other," he said.

"Massive changes are going to be required to the current state and local framework... but there are ways to get through (this)," he said.

Michael Armstrong, chief executive officer of AT&T, said the world is experiencing the "most exciting communications era in history."

"(But) we've got to use this opportunity for simplicity," he said, noting that AT&T fills out a mind-boggling 39,000 state and local tax forms a year.

Yet, the Internet should be tax "neutral," he said. That means it must please not only

consumers, who want the lowest price on online goods, but states and localities as well.

"Stores will continue to play a very important role in American commerce," said David Pottruck, president and chief executive officer of Charles Schwab, which does nearly \$2 billion in business daily over the Net.

"It is our belief that Internet should not be favoured over other forms of commerce," he said, noting Schwab got 60 million "hits" a day on its website in the first quarter of 1999, compared to six million the same period last year.

One tax specialist called the officials' statements a hopeful sign. "Significant industry leaders have signalled a willingness to work with state and local governments," said Clinton Stretch, a principal with Deloitte & Touche.