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# The Daily Star BUSINESS

DHAKA, THURSDAY, JUNE 8, 2000

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## BEC puts budget online

Bangladesh Economic Chronicle (BEC), the first web magazine on business and economy in Bangladesh is going to put the National Budget 2000-2001 on-line, reports UNB.

Visitors will be able to find the full budget speech on BEC's website at [www.bec.org](http://www.bec.org) as soon as the finance minister completes his speech in the Parliament, said a press release yesterday.

Users will also find a comparative analysis on this year's budget with those of the last five years.

BEC, which also hosted last year's national budget on-line for the first time in Bangladesh, is the only source providing an on-line database that would allow the users to find the changes in the tariff rates only by putting the HS Code of any particular import item.

## BSRS earns Tk 3.93 cr

Bangladesh Shilpa Rin Sangstha (BSRS) has earned a net profit of Tk 3.93 crore during 1998-99 fiscal year, reports BSS.

The profit has been confirmed on the basis of cash realisation of the interest on investment loans and dividends.

Of the profit, Tk 70 lakh will be paid to the government as dividend, a BSRS press release said in the city yesterday.

This was disclosed while approving the audited accounts of BSRS for the FY 1998-99 at the meeting of the Board of Directors held at its head office recently. The meeting was presided over by Dr A H M Habibur Rahman, Chairman of the Board of Directors.

The board expressed its satisfaction at the profit earning on the basis of cash realisation of interest on loan and dividend on investment and hoped that the Sangstha would contribute more to the national economy in the coming years, the release added.

## ANZ Grindlays Bank launches FastCard

ANZ Grindlays Bank officially launched its new product, FastCard, at a function held at its offices on Monday, says a press release.

Imran Ahmed, Head of Cards, launched the new product. Muhammad A Ali, General Manager and Country Head, and other senior officials of ANZ Grindlays Bank, were also present on the occasion.

Imran Ahmed said FastCard enables customers to obtain a credit card without submitting any supporting income documents. Only a certain amount of funds will be held as lien against the limit the customer seeks. FastCard can be obtained against deposits in the customers' current account, savings account, fixed deposit account and even against Saving Certificates.

He added that FastCard would be delivered to the customers within 15 days of approval of their applications.

ANZ Grindlays credit cards are currently accepted at more than 2000 merchant outlets in the country, the release added.

# A CEO's expectations on the B-day

By A K M Shamsuddin

which is shamefully low. Therefore, direct taxation policy needs to be re-drawn to achieve economic growth and stability. My expectation is that the budget 2000-2001 will rationalise and simplify income and corporate taxation. The present maximum rate of 25 per cent income tax for individuals is acceptable. However, the basic exemption limit should be at least taka one lakh. Moreover, the system of adding 10 per cent on tax payable on account of property ownership in excess of Tk 10 lakh should be withdrawn. All sorts of surcharges and non-adjustable advance tax deductions must go. There should be tax rebate/exemption available to senior citizens. In order to encourage women entrepreneurs, they should be offered special tax rebates. There should also be rebates for replacement of housing loans.

A lot of rationalisation and simplification needs to be done in the area of corporate income tax. First, the rates are too high and thereby discourage tax payment. There should be a reduction of 5 per cent corporate tax across the board. Second, there should not be restrictions in allowing genuine business expenses as tax deductible expenditures. For example, the cost of a car worth more than taka 7.5 lakh cannot be depreciated above that value or pharmaceutical companies cannot charge cost of samples beyond a certain ceiling.

To boost exports, there should not be any corporate tax on it. All incomes from IT industries should also be similarly treated. In order to attract investment in the infrastructure sectors, corporate tax incentive should be introduced.

To sweeten voluntary retirement (VR), all benefits accruing out of it should be tax-free both at corporate level, as well as at the hands of the individuals. There must be simplification and rationalisation of the adjustment of advance taxes paid at different stages. And finally, income tax laws need to be simplified too.

**Bank lending rates**  
Globally, commercial banks lend to investors at rates which are 2 to 3 per cent higher than what they pay to, say savings account holders. In Bangladesh,

this premium is 6 to 8 per cent. This makes the cost of doing business in Bangladesh very high. The nationalised commercial banks (NCB) cannot lower their lending rates because of the huge amount of default loans in their portfolio. On the other hand, foreign commercial banks (FCB) are making hefty profits since they do not have the burden of bad loans. Although interest rates are not controlled by the government, the market mechanism of competition does not work here because of the dominance of the NCBs in the financial market.

Measures are expected in the new budgets to address the issue. The NCBs must make provisions for bad loans (some dating back to even the fifties and sixties of the last century) and thereby must be able to demonstrate flexibility.

**Boosting export**  
In today's globalised scenario, if we are to strengthen our role in the world economy, we must go for a rapid expansion of our exports. For this, we need to speedily develop the thrust sectors other than garments. For garments also we must develop backward linkages appropriate for the future, not just in short-term but also in medium to long-term.

But the real expectation would be to speedily develop other thrust sectors like the IT. I expect that the budget proposal would include creation of venture capital funds with clear guidelines so that these are speedily available to investors. Such funds should be

- Interest-free
- Bureaucratic hassle-free
- Income tax-free so long as the generated funds are re-cycled into the business
- When income from such funds are distributed to investors, this should be taxed at a lower rate, say 15 per cent.

The much-awaited re-regulation of the telecom sector is a must to boost and expand our export potential.

**Attracting foreign and local investment**  
Bangladesh has one of the best packages offered to foreign direct investors (FDI). Yet, it has failed to attract sizeable FDI, barring in the energy sector. Political instability, law

and order situation, bureaucratic bottlenecks and lack of policy guidelines discourage FDI, when our big neighbour with a vast domestic market has provided a highly stable and business-friendly environment.

The only way to improve this situation, I think, is to patronise the existing FDI so that these can have fair opportunity to grow. Measures that can help these thrive would be simplification of the taxation system, withdrawal of discretionary powers of the tax authorities, full implementation of the PSI system, etc.

Opening up of the infrastructure and service sectors to foreign and local entrepreneurs would also help in improving the investment scenario.

**Anomalous tariff system**  
has steadily thrown the country's industrial base off balance. Because of abnormally high incentive created through the inappropriate tariff regime, smugglers have taken over the country's economy. This can only be contained through fiscal measures.

It is our hope that the next budget would take positive steps, particularly keeping in mind the steps taken by our big neighbour, to rationalise the tariff structure, so that smugglers lose their incentive. This will have manifold beneficial effects. It will help revive industrial activity in the country, thereby generating employment. If smuggling is minimised, the formal sector will grow and when the formal sector grows, the government's revenue also goes up. Here lies our future as a nation, and it is now in the hands of our finance minister.

**Containing fiscal deficit**  
The purpose of economic reform must be to 'unlock the creative energies of the people' and thus benefit from their productivity growth. A credible framework of fiscal discipline is the backbone of this reform.

As it is, our government has a legacy of a huge public debt and an ever-increasing burden of interest payments. On top of this, because of revenue shortfall, the government had to borrow heavily from the banking system. What is worse, these

borrowings do not go to pay for infrastructure development. These are used for meeting revenue expenditures, the bulk of which goes to sustain the unproductive bureaucracy. To quote Yashwant Sinha again, "If we do not raise resources and instead take recourse to even higher borrowing next year, then we will jeopardise our growth prospects, re-ignite the flames of inflation, sow the seeds of another balance of payment crisis and place an unfair burden on the next generation."

We expect that the next budget will propose ways to minimise the fiscal deficits on an urgent basis. Some of the measures could be

- Lowering of salary expenses of 25 per cent. This can be achieved by downsizing the government and privatising support services like government rest houses, circuit houses, garbage collection etc. Expenses on account of international travels by bureaucrats is phenomenal. This must be curbed.
- Freeze on defence expenditure.
- A rigorous system of zero-based budget scrutiny should be introduced. In India, they could identify 69 schemes to be discontinued by scrutinising only 8 ministries last year. This can save a huge amount of unnecessary expenditures, thus lowering borrowing requirements.
- Attempts should be made to pass on all subsidies to users in the form of 'cost-based user charges'.
- All state-owned enterprises (SOEs) should be divested urgently and the proceeds needs to be used to pay back bank loans. Thus debt burdens will be lowered and interest payment liabilities will reduce.
- A fiscal responsibility act may be enacted. I hope that the government, in the next budget proposal, will form a commission preparatory to such an act.

A K M Shamsuddin, Managing Director Rhone Poulenc Rorer Bangladesh Limited and Chairman of Central Depository Bangladesh Limited.

**The author is Managing Director Rhone Poulenc Rorer Bangladesh Limited and Chairman of Central Depository Bangladesh Limited.**

## False figures in Rupon Oil accounts ICAB suspends MA Fazal and Co

Star Business Report

The Institute of Chartered Accountants of Bangladesh (ICAB) has suspended the membership of an audit firm for a year with effect from May 31, 2000 on charges of professional misconduct.

Mohammed Abul Fazal (bearing enrollment No. 67), proprietor of M/s MA Fazal & Co., Chartered Accountants, Dhaka, was found guilty by ICAB in connection with the annual report and accounts of Rupon Oil and Feeds Ltd., a listed company.

According to sources, Rupon Oil's annual accounts for the year 1998-97 was prepared by

using false figures and statements, but this was ignored by the firm during its auditing.

Following a Securities and Exchange Commission (SEC) complaint, the ICAB granted a personal hearing to the accused Mohammed Abul Fazal on May 25, 2000 where the council heard the views and comments and thereafter re-examined the case along with the report.

"After deliberation, the council took decision that the complaint against the audit firm was true and Fazal was found guilty of professional misconduct under clauses (21), (24) and (28) of Part I of Schedule C under provision 97 (2) of Bangladesh Chartered Accountants by-laws, 1973," ICAB said.

The Institute also found the Chartered Accountant firm guilty of 'gross negligence in conducting professional duties, for act or default discreditable to a Chartered Accountant or member of the Institute' and 'failure to invite shareholders' attention to material departure from the generally accepted principles of audit', the ICAB suspension order stated.

Fazal & Co. dressed up the accounts of the company to cheat innocent investors, the SEC objection stated.

The regulatory body of the country's capital market earlier on October 7, 1999 referred some cases to ICAB for investigation and necessary actions in this regard and subsequently the disciplinary committee of the ICAB approved the latest action.

Besides Rupon Oil, the SEC audit objections referred to ICAB include Mark Bangladesh Shilpa and Engineering, JH Chemical and Wata Chemicals.

Audit objections have also been raised by the investors against some other companies like Wonderland Toys and Samorita Hospital and SEC action against them is underway, according to sources.

Earlier another Chartered Accountant firm, Aze Khan & Co., was reprimanded by ICAB for similar reasons in 1997.

## New Board of Grameen Bangla Housing Ltd

The first EGM of Grameen Bangla Housing was held at TTC auditorium in the city recently with company Chairman Dipal Chandra Barua presiding, says a press release.

A 13-member Board of Directors of the company was elected at the meeting.

M Jahangir Alam was elected Vice Chairman and Engr. Sardar Md Amin, Managing Director of the company.

The revised Memorandum of Association & Articles of Association was approved at the meeting.

A project proposal to set up a mini town was presented at the meeting. Aminul Islam, President of Land Purchase Committee also presented reports on the progress of other projects.

Engr. Mohammad Iman Ali, Member Secretary, highlighted the company activities and Md Motahar Hossain, Member (Finance) gave a picture of the financial activities of the company.

The shareholders of the company from different banks, educational institutions and business organisations, including Saleha Begum, Grameen Bank Zonal Manager, Comilla and Md. Shahjahan Ali, AGM, Grameen Bank, were present at the meeting.

## BA enters merger talks with KLM

LONDON, June 7: British Airways PLC confirmed Wednesday that it has entered talks with KLM Royal Dutch Airlines NV about a possible merger, reports AP.

If successful, an alliance would create the world's third largest airline, behind United Airlines and American Airlines.

The combined airline would be valued at more than \$5 billion pounds (US \$ 7.5 billion) with a fleet of almost 600 aircraft, according to British press reports.

A deal could, however, face significant regulatory hurdles in Europe and the United States.

British Airways said in a statement that it would be making no further public comment "until there is anything material to say."

British Airways cautioned that the talks were at a preliminary stage and might not "result in any transaction between the parties."

Speculation about a deal between British Airways and KLM began after KLM called off a joint venture with Alitalia SpA in late April. On Monday, KLM confirmed that it wanted to find a new partner within a year.

British Airways and KLM last attempted to merge in 1992, but the deal broke down over the issue of valuations.

Analysts had been expected pairings in the airline industry to intensify after the recent announcement that UAL Corp., the parent of United Airlines, has agreed to acquire US Airways for \$ 4.3 billion.



Imran Ahmed, Head of Cards, ANZ Grindlays Bank, launches FastCard at its office recently. Muhammad A Ali, General Manager and Country Head, and other senior officials of the bank, are also seen in the picture. — ANZ Grindlays photo

## Microsoft, Intel urge US Congress to raise visas for IT workers

WASHINGTON, June 7: Two prominent leaders of America's high-tech industry, Bill Gates and Andy Grove, urged Congress yesterday to raise the number of visas for IT workers to ease what they termed severe shortages, reports AP.

"This is a very critical issue," Microsoft founder Gates told a joint congressional hearing discussing the issue of H-1B visas accorded to professionals in specialised fields.

"In fact, if there is anything that can help the technology industry move at full speed in the next couple of years, I'd say it's this visa issue," noted the Microsoft founder. "No matter what you do, the demand for these kind of world class engineering skills exceeds supply."

Gates said that because of the labour shortages, the industry is faced with the question of "whether we can continue to do 90 per cent of this work here in the United States or whether we have to go outside the United States to do the work."

Grove, co-founder of Intel Corporation, said the United States is competing against other nations for scarce skilled professionals in information technology.

competing for the attention and the immigration of Indian scientists, we educate them in our universities and ship them back home," Grove said.

President Bill Clinton and members of Congress have proposed various formulas for increasing the number of visas for high-tech workers, which is due

to drop next year to 107,500 and revert to the 1998 level of 65,000 the following year.

Some analysts say the industry has a deficit of more than 300,000 professionals. One of the hurdles facing the legislation is that some backers want to include a provision to extend amnesty to some illegal Latin American immigrants who have been living for years in the country since 1986.

The technology industry contends the issue is critical to maintaining US leadership.

"I am very thankful for the short-term relief that the H-1B visa provision has been given, but it is basically bailing out a boat with a little cup," Grove said. "The problem is much deeper than that and much longer lasting. It is not a year-by-year problem. The US is a high-tech leader. As a leader, it has demand for high-tech personnel."

He said boosting the number of visas can provide "near-term, temporary relief," but that the United States must also conduct "a systematic review of the immigration policies and immigration philosophies" and improve the educational system to train more technology professionals.

## Net Indonesian foreign reserves stand at \$16.01b

JAKARTA, June 7: Indonesia's net foreign reserves stood at \$16.01 billion as at May 31, well down from the previous week because of a new method of calculating the figure, the central bank said today, reports Reuters.

Net foreign reserves were \$18.06 billion as of May 23 under the old calculation.

Bank Indonesia said last month it would change the way it calculated reserves to comply with international standards.

At the time it warned that could result in lower figures because the new method uses different groupings for different data, and would use a more recent exchange rate and only include liquid assets.

## APEC to give technical aid to developing states

DARWIN, June 7: Hoping to boost chances for a new round of world trade talks, Asia-Pacific trade ministers said Wednesday they will provide technical assistance to developing economies in the region, reports AP.

Ministers from the Asia-Pacific Economic Cooperation forum also said they will now refrain from imposing customs duties on e-commerce transactions.

APEC members are pushing for the launch of a new round of talks aimed at breaking down trade barriers and lifting economies worldwide.

The last effort to start talks failed miserably in Seattle, Washington, late last year, when a World Trade Organisation meeting became a focal

point for violent street protests and trade ministers ultimately could not agree on a formula for a new round of talks.

Ministers from the Third World accused rich traders, mainly the United States and the European Union, of locking them out of crucial decision-making and refused to sign onto a new round of talks.

APEC cannot launch new talks on its own because that would have to be agreed by all members of the WTO, the Geneva-based body that sets global trade rules. However, APEC contains some influential members who can put their lobbying muscle behind the effort.

"We reaffirm our strong commitment of an early launch of a new round of multilateral trade negotiations," said Australian Trade Minister Mark Vaile, chairman of the two-day APEC meeting of trade ministers, which ended Wednesday.

"We agreed that a new round will require a balanced agenda that is sufficiently broad-based to respond to the interests of all WTO members," Vaile said.

Despite the efforts of APEC and others who want more trade talks, WTO Director-General Mike Moore has said there is only a modest chance that new negotiations can be launched before the year end.

The ministers said APEC will provide technical assistance to developing member economies so they are able to implement WTO agreements.

## IBM seminar at Sheraton today

A seminar on "IBM DB2: Universal Database Solutions," organised by IBM in collaboration with its software business partner Dot Dash will be held at Dhaka Sheraton Hotel at 10:00 am today, says a press release.

The keynote presentation at the seminar will be delivered by Anthony J W Kwang, Manager, IBM Software Solutions Centre, ASEAN/South Asia.

BCIC-440-30/5/2000 DFP-13906/4/6 G-1099

## BCIC Tender Notice

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Ref No: Sect/Engg/112-79-97/P-2(949) Dated: 28/05/2000

## Tender Notice

Sealed tenders are invited from enlisted electrical contractors of the council for electrical work of different underconstruction office and residential buildings of BCSIR (as per schedule).

Tender document can be purchased on 18/06/2000 till office hours from the Cashier in the Secretariat of BCSIR, Dhaka on payment of Taka 400/- in cash (non-refundable). Tenders will have to be submitted in the tender boxes kept at the office of the Superintending Engineer, BCSIR, Dhaka by 03:00 PM on 20/06/2000 before and tenders will be opened the same day at 03:30 PM before the tenderers/representatives present (if there is any). At the rate of 2.5% of the estimated cost in the form of Bank Draft/Pay Order account payee from any scheduled bank approved by Bangladesh government as the earnest money in favour of 'BCSIR, Dhaka' will have to be submitted with tender.

Other necessary information (if there's any) may be known from the office of the undersigned during office hours.

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