Star BUSINESS

DHAKA TUESDAY MAY 22, 2001

FICCI sees further corporate tax cut vital for investment spark

Budget proposal for fiscal 2001-2002

STAR BUSINESS REPORT

Foreign Investors' Chamber of Commerce & Industry (FICCI) has suggested further lowering of corporate tax in the next budget to encourage investment.

It has also asked the government for serious actions against tax evaders.

"Currently, a vast majority of the country's income earners remain out of the tax net. If they could be brought under the tax umbrella, there would have been a significant increase in the government's revenue earning. The honest tax payers could have been spared of additional tax burden every year," FICCI said in its budget proposal for the fiscal year 2001-2002.

The existing corporate tax rates (35 per cent for publicly traded companies and 40 per cent for others) are too high to attract and encourage investment in the country or to promote real corporate growth, it observed.

FICCI proposed that the rates for publicly traded companies and others should be lowered to 25 per cent and 30 per cent respectively.

Importation of goods under commercial license is subject to collection of advance income tax (AIT) at source and this is supposed to be considered as final discharge of income tax liability. But, goods so cleared are subject to deduction of AIT at source again when these are supplied to customers, the Chamber mentioned.

FICCI has suggested that such double taxation should be avoided and a provision be made to avoid such AIT deduction for the second time on which tax liability has once been settled as final discharge.

In some cases, both advance income tax (AIT) and VAT need to be deducted at source from a bill, it said. "But, it is not clear whether both the deductions should be on gross value of the bill or AIT should be deducted from a value net of VAT deduction. This has created a lot of confusion."

FICCI has proposed that AIT should be deducted from the bill amount net of VAT when both AIT and VAT are deductible at source.

The existing rate of three per cent AIT deduction at source on all imports is too high as many such imports are for consumption or resale at marginal value added. Also, there is no minimum level below which such deduction is exempted.

FICCI has suggested that the system of AIT deduction at source on all imports should be discontinued in case of honest tax payers with provision of punishment for evaders.

PHOTO: SIEMENS

Siemens Bangladesh Limited, as part of Siemens AG's global policy of knowledge dissemination, arranged a technical presentation on Power System Protection Relays emphasising cost saving, efficient technical solution for power utilities in the city recently. Brigadier General Mofizur Rahman (Retd), Managing Director of Dhaka Electric Supply Company, N G Shaha, Director-Technical, Power Grid Company of Bangladesh, and Dr Peter Albrich, Managing Director of Siemens Bangladesh Limited, were present.

Training on SWIFT for Bank Asia officials held

A two-day training programme on SWIFT (Society for World-wide Interbank Financial Telecommunication) operation of Bank Asia Ltd officers was held recently, says a press release.

Six officers from three branches of the bank participated in the programme, which was designed for full utilisation of SWIFT to make foreign exchange transactions more secure, reliable and fast.

The SWIFT system of Bank Asia got launched on 5th March, 2001. Since then the bank established bilateral key exchange (BKE) with about 385 locations all over the world.

With this wide establishment of SWIFT network, Bangladeshi exporters will be able to receive export letters of credit and export proceeds in the shortest possible time. Similarly, the importers will benefit from flawless transmission of letters of credit having wide acceptability. Overseas Bangladeshi nationals will now be able to send remittances more conveniently and quickly.

Under the current arrangement, the bank's four authorized dealer branches – Principal, Corporate, Scotia and Agrabad – will be able to transmit letters of credit and other messages directly via SWIFT.

British trade deficit widens in March

AFP, *London*

Britain's trade deficit with the rest of the world widened in March to 2.882 billion pounds (4.73 billion euros, 4.14 billion dollars) from a revised deficit of 2.293 billion in February, official figures showed on Monday.

SIBL elects new vice-chairmen

Kamaluddin Ahmed

Mohammed Shamsuzzaman

The 60th meeting (emergency) of the Board of Directors of the Social Investment Bank Ltd (SIBL) was held on Sunday at its head office boardroom, says a press release.

The board, in the meeting, elected two Directors – Kamaluddin Ahmed and Mohammed Shamsuzzaman–as new Vice chairmen.

Kamaluddin Ahmed was President of the Chittagong Chamber of Commerce. He is also a Director of the International Chamber of Commerce and Industry, Eastland Insurance Co. Ltd, Chittagong Stock Exchange, Holy Crescent Hospital (Pvt) Ltd and Alif Commodities House. He was also a CIP for 2 years.

Mohammed Shamsuzzaman is the proprietor of Madani Travel, Managing Director of Dreamland Farming Ltd and Editor and Publisher of The Weekly Al-Akbar.

Besides, five new committees have been formed consisting of the Directors viz (i) Finance and Investment Committee, chaired by Ahmed Akbar Sobhan (ii) Executive Committee, chaired by Sultan Mahmood Chowdhury (iii) Policy Committee, chaired by Abdul Awal Patwary (Iv) Deposit Procurement Committee, chaired by Humayun Kabir Khan and (v) Overdue & Recovery Committee, chaired by Alhaj Nasiruddin.

PHOTO: GLAXO WELLCOME

The 28th annual general meeting of Glaxo Wellcome was held in Chittagong on Thursday. Picture shows(from left) A F Nesaruddin, Company Auditor, Md Ziaul H Khondker, Director, Sarwar A Khan, Finance Director & Company Secretary, V Thyagarajan, Chairman, S Fazlul Haque, Managing Director, and A H M Zaker, Technical Director at the AGM.

Glaxo Wellcome okays 35 pc dividend

The shareholders of Glaxo Wellcome approved a 35 per cent dividend at the company's 28th annual general meeting held in Chittagong on Thursday, says a press release.

The meeting, presided over by company Chairman V Thyagarajan, was attended among other by, Syed Fazlul Haque, Managing Director, Directors Md. Ziaul Haque Khondker, A H M Zaker, Sarwar Azam Khan and Auditor A F Nesar Uddin.

The company posted a net profit of Tk. 63.9 million during the financial year ending December 31, 2000, showing a growth of 6 per cent over 1999.

The chairman informed the shareholders that the company launched six new products during the year 2000 and a number of other new ones would be launched this year.

Moreover, the creation of GlaxoSmithKline following the global merger of Glaxo Wellcome and SmithKline Beecham will enable the company to offer an even wider range of products to the people of Bangladesh, he added.

Shrimp exporters move to control raw material price

Quota introduced on purchase of raw shrimp

STAR BUSINESS REPORT

A section of frozen food exporters have introduced a quota system for shrimp procurement by processing units in Khulna region.

A sub-committee formed by one of the vice presidents of the Bangladesh Frozen Food Exporters' Association took the decision on May 19, slapping limits on 25 shrimp exporting firms from May 22 to June 3. Under the system, the firms will be allowed to buy between 700 maunds to 2500 maunds of shrimp.

According to the business sources, the decision was taken to keep prices of raw shrimps low in the face of international price slump. However, a section of exporters of the region termed the decision 'whimsical'.

According to the decision, the firms cannot cross their limits set by the association sub-committee, and they have to buy shrimps from the growers in presence of inspectors assigned by the sub-committee.

The sub-committee also decided that the firms cannot purchase more than 25 per cent of the quota limits in a day. It may also increase or decrease the quota limits for respective firms according to the availability of raw shrimps.

If any firm is found guilty of limit violation, it will face a fine of Tk 200,000. Fifty per cent of the fine money will be given to the people who would identify the violators with proof and the rest will go to the association fund.

Meantime, a section of exporters also alleged that the decision was taken without their knowledge.

"Nobody can put any embargo on my purchase of raw shrimp. This is violation of open market principle," said a frozen food exporter from Khulna region preferring anonymity.

However, according to business sources, there was a demand from the association members for a nationwide quota system. But the recent decision has angered some exporters as it is applicable for Khulna region only and has been taken without other exporters' approval.

When contacted, President of the Bangladesh Frozen Food Exporters Association (BFFEA) Salahuddin Ahmed expressed his total ignorance about the decision.

"I don't know anything about the issue. May be, they have taken the decision to control raw shrimp price. However, if anybody has any complaint about the decision, we will discuss it at our central committee," Salahuddin told The Daily Star yesterday.

However, the vice president of the association and the convenor of the quota sub-committee Kazi Belayet Hossain could not be reached despite repeated attempts.

Global slump pulls down Japanese trade surplus

AFP, *Tokyo*

The global economic slowdown put a brake on overseas demand for Japanese exports in April, depressing the trade surplus by 41.6 per cent year-on-year, the finance ministry said yesterday.

The Japanese surplus fell for the tenth month running to stand at 665.9 billion yen (5.4 billion dollars) last month, the ministry said.

Exports fell 1.1 per cent to 4,331.7 billion yen, while imports rose a robust 13.2 per cent to 3,665.8 billion yen.

"The global slowdown pressured Japanese exports in the month as shipments to the United States, the European Union and Asia all declined," said a finance ministry official.

"Overseas demand for Japanese products indeed stagnated as we heard some manufacturers received cancellation orders," the official said.

Exports in April marked their first decline in 18 months in value terms, although they have been dropping in terms of volume for four months.

Japan's politically sensitive trade surplus with the United States declined 7.4 per cent in April to 669.8 billion yen.

US-bound exports slipped 0.2 per cent to 1,336.7 billion yen but imports from across the Pacific grew 8.4 per cent to 666.9 billion yen.

"The US economic slump in particular dragged down overall Japanese exports," commented Credit Suisse First Boston economist Satoru Ogasawara.

The slowdown in the world's biggest economy could heighten anxiety among Japanese manufacturers already struggling after a decade's depression at home, he said.

Japan's trade surplus with the European Union tumbled 18.9 per cent to 281.8 billion yen, with exports down 4.8 per cent to 714.3 billion yen and imports up 7.3 per cent to 432.5 billion yen.

With the rest of Asia, Japan's trade surplus nosedived 62.1 per cent to 167.7 billion yen. Exports fell 1.7 per cent to 1,739.0 billion yen and imports go 9.5 per cent to 1,571.3 billion yen.

Among overall shipments, auto exports to the United States declined 7.1 per cent and those to the European Union dropped 20.9 per cent. US-bound shipments of telecommunications equipment plunged 27.7 per cent.

A weak yen had boosted Japan's import currency bill, contributing to the slump in the trade surplus, said Japan Research Institute senior economist Makoto Ishikawa.

"While the increase in imports was modest in terms of volume, Japanese imports posted strong growth in value thanks to the weak yen," Ishikawa said.

The Japanese currency was traded at 123.99 to the dollar on average in April, against an average of 106.02 a year earlier.

"A recovery in the Japanese trade surplus really depends on the performance of the US economy," Ishikawa added.

A shift to other parts of Asia by Japanese companies seeking lower costs was also depressing Japan's trade surplus, the economist said.

"Many Japanese companies are moving their production bases overseas. They are shipping their (finished) goods, including textiles and semiconductors, back of Japan," he said.

Philippine bad loan ratio rises to 16.69pc

AFP, *Manila*

Non-performing loans (NPLs) of Philippine commercial banks rose slightly to an average 16.69 per cent of their total portfolio as at end-March, central bank governor Rafael Buenaventura said Monday.

The figure was a 0.07 percentage point increase from the amended figure of 16.62 per cent in February, he said in a statement. The central bank earlier put the February NPL figure at 16.48 per cent.

The loan portfolio of commercial banks grew 5.5 per cent from a year earlier to 1.41 trillion pesos (28.2 billion dollars).

Lending activity also picked up, "consistent with the (central bank's) monetary easing stance," Buenaventura said, but he did not give the percentage increase.

PHOTO: BKB

Murshid Kuli Khan, Managing Director of Bangladesh Krishi Bank (BKB), hands over loans to weavers of Tangail district at a weavers gathering organised by Delduar branch of Tangail region at Pathrail on Saturday.

Bangkok gov seeks China funding for train plan

AFP, *Bangkok*

Bangkok's governor asked visiting Chinese Premier Zhu Rongji Monday for Chinese funding to build a suburban train system around the congested Thai capital, city officials said.

Samak Sundaravej asked for the entire two billion dollars needed for the project in an early morning meeting with Zhu, who was on the third day of a four-day visit to Thailand at the conclusion of an Asian tour.

The proposed electric rail system, spanning some 80 kilometers (50 miles), would be aimed at easing the traffic congestion crippling the sprawling Thai capital.

The Bangkok Metropolitan Administration (BMA) last month signed an agreement with a Chinese company, China Rail Construction Ltd., to carry out a three-month feasibility study of the idea.

Zhu said China was prepared to lend its encouragement and expertise to the project, but Thailand should fund the transit system itself, according to a BMA spokesman.

The Bangkok governor said he would submit his funding request to China nonetheless and await a decision later.

The suburban rail system is one of a number of railway projects in the pipeline for Thailand.

A Chinese state firm, Shanghai Metro Construction Corp., is expected to build a 300 million dollar extension to Bangkok's debt-burdened light rail system known as the Skytrain.

Defense Minister Chavalit Yongchaiyudh reportedly said Sunday that China would finance a high-speed train linking Thailand with China.

During the third day of his visit to Thailand, Zhu was scheduled to meet with Thai King Bhumibol Adulyadej in the resort town of Hua Hin.

Indian miners face starvation as golden dream dies

AFP, *Kolar*

As India, the world's largest consumer of gold, stockpiles the precious metal, thousands of miners in this southern city are wallowing in debt and on the verge of starvation.

More than 3,000 miners face an uncertain future after the country's largest goldmaker Bharat Gold Mines Ltd, ceased operations at Kolar Gold Fields, about 100 kilometres (62 miles) from Karnataka's state capital of Bangalore.

The 129-year-old gold mine closed two months ago due to rising production costs and a sharp decline in output.

"I used to earn 4,000 rupees (86.9 dollars) a month," said 44-year-old Joseph Anthuraj.

"My youngest of four kids is just six years old. I am in deep debt and borrow money at a very high interest just to keep my family going."

Anthuraj, who is the third generation from his family to work in the mine, said he is unable to take up any other job as his left foot was crippled in a mining accident.

"There are no jobs left here even if I want to work. My family manages with just one meal a day. It is sheer torture," Anthuraj said.

Bharat Gold Mines was owned by a British firm, John Taylor and Sons, which built a town around Kolar with bungalows, a golf course and mine shafts and colonies with names such as Gifford, Edgar and Gilbert.

The Indian government took over the firm in 1964 and company officials blame New Delhi for the downturn in its fortunes.

"There is sufficient gold still to be mined. The government did not plough back resources of the company either in modernising the equipment or finding new pits," said K.M. Diwakaran, chief engineer and a trade union leader.

The British firm could produce 40 grammes of gold from one tonne but now it yields only three to four grammes.

India floated global tenders to revive the company and an Australian firm was awarded the contract in 1995, but it abandoned the project within a year.

The government decided to close the company but the workers challenged the decision in courts and the case will come up for hearing on May 28.

"As per the government order the company has been closed down effective from March 1, 2001. The company has ceased to exist. Now it is for the courts to decide," said S. Sampath Kumar, acting managing director of Bharat Gold Mines.

"The whole town is dependent on the company. There are no other industries. People, who were working here for more than two generations, are all starving," Kumar said.

"They are not fit for any other jobs. Ninety per cent of them are traditional miners. It is a big mess," he said.

Kumar said the main reason that the mine had been closed was that it was uneconomical.

Bharat Gold Mines produced 800 tonnes of gold over its 120-year history but only made profits only for three years. It has accumulated losses of 5.5 billion rupees.

"All we are asking for is to let us breathe," Pitcha Muthu, a 45-year-old miner said. "Where will I take my family? I am begging for bread. This is my home where my father and grandfather worked."

US Investment Bank says

E Asian economic strategy flawed

DPA, *Singapore*

The East Asian economic strategy of high investment, outward orientation and strong global trade has left the region "stuck in a vicious cycle" and is seriously flawed, a US investment bank report said yesterday.

By "offering cheap labour to produce industrial goods for the rest of the world as well as cheap farm and natural resource products," the Morgan Stanley Dean Witter report said the results have been industries failing to create sufficient indigenous innovations.

The "blind outward orientation" has led to weak pricing power relative to advanced countries, it said.

The 1997-98 Asian financial crisis exposed some of the excesses associated with the classic East Asian economic model, the report said, citing over-investment and a failure to focus on return on investment.

The Asian crisis was not severe or protracted enough to break the government-corporate complex and the family structure of Asian businesses, it said.

Excess savings still persist in Asian economies, with the role of domestic demand being relatively neglected, it added.

The report called for greater reliance on domestic demand, which through increases in consumption would "aid the growth of service-oriented Asian enterprises that are upscale, competitive and efficient."

Domestic investment should gradually replace foreign direct investment from multinational corporations so that indigenous Asian companies can create, buy and retail advanced technology and intellectual property, the report proposed.