Star
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Privatisation Commission okays two sale proposals

UNB, *Dhaka*

The Privatisation Commission has approved proposals for sale of Kohinoor Battery Manufacturers and Kokil Textile Mills for Tk 21.47 crore and Tk 3.00 crore respectively.

The intending buyers will bear all long-term liabilities of the two state owned enterprises.

An official announcement on Monday said the approval was given at an extended meeting of the Commission chaired by its Chairman Enam Ahmed Chowdhury.

The meeting decided a crash programme under government's next 100-day programme to privatise over 30 SOEs in the new spell of sellout.

ROK, Bangladesh textile bodies to discuss setting up of textile mill

BSS, *Dhaka*

Leaders of Bangladesh and Korea private sector textile associations will meet soon to initiate formal discussion in connection with setting-up of a composite textile mill in Bangladesh.

Korean ambassador to Bangladesh Youngjo Jung yesterday said this in a meeting with the Textile Minister Abdul Matin Chowdhury at his office, an official handout said.

During the meeting, the ambassador assured the minister that the Korean government would continue to extend investment in textile sector and overall development in Bangladesh.

They discussed on mutual interests, especially in problems and potentiality of textile sector.

The minister apprised the ambassador that the government has taken necessary steps to face future problems of the textile sector like setting-up composite textile mill and establishment of textile village in the country.

Three new breeds hit Ctg tea auction

Sample prices double on debut

SHAHIDUL ISLAM, *Chittagong*

The weekly tea auction in the port city witnessed an unusual day yesterday with the presence of three new types. Soon after the placement, the types, tipped as world class ones, were sold at double prices than the offered values.

The brands developed at the Bangladesh Tea Research Institute (BTRI) in Srimongal appeared in the market on trail basis include Silver Tippi Golden Flowery Orange Pekoe (STG-FOP), Tippi Golden Flowery Orange Pekoe (TG-FOP) and Tippi Golden Brokens Orange Pekoe (TG-BOP).

Oldest brokering house Purba Bangla Brokers Ltd Managing Director Amanat Hossain Arman and Manager Arifur Rahman Shahin appeared on the rostrum along with the top class brands and started the proceedings.

The STG-FOP was placed before the bidders with initial face value Tk1000 per kg which hit as high as 2150, TG-FOP was offered at Tk 750 a kg and finally sold at Tk1400 while against offer of Tk 200 a kg, TG-BOP was sold out at Tk 300.

The new types, however, offered at limited scale on trial basis. Only two kg of STG-FOP was on the offer while 3.5 kg of TG-FOP and 10.5 kg of TG-BOP.

Three bidders -- Union Tea, Dhaka, Subash Store, Chaktai (Chittagong) and East Bengal Tea House, Reazuddin Bazar (Chittagong) -- won the exciting bidding.

Sources who participated in the auction said Bangladeshi tea on offer in the weekly auction had neither witnessed such high class quality equivalent to the Darjeeling type nor it attracted such high price or value since tea sale started here back in 1948.

"Its obviously a very special occasion for all of us," said a beaming top official of a brokering firm at the auction venue in city's Agrabad commercial area. Another official who works with Gentleman's Trade firm also echoed the sentiment while talking to this correspondent.

The special moment for all concerned in this traditionally sophisticated business came at the 38th tea auction of the season.

PHOTO: DCCI

A delegation of the Dhaka Chamber of Commerce & Industry (DCCI) led by its President Matiur Rahman called on Commerce Minister Amir Khosru Mahmud Chowdhury recently in the city. State Minister for Commerce Barkatullah Bulu was also present on the occasion.

Computer dealers demand 2pc of rev budget for IT

BCS calls for compulsory computer education in primary schools

STAR BUSINESS REPORT

Bangladesh Computer Samity (BCS) yesterday demanded allocation of two per cent revenue budget for accelerating the computerisation in the country.

At a press conference, the computer hardware vendors said such allocation will help create IT professionals in the country.

They also suggested making computer education compulsory in the primary schools and introducing computers as learning instruments.

"The move would also help boost software export," said M. Sabur Khan, the newly elected President of the BCS.

He said the government should take initiative to introduce e-governance for fostering the expansion of information technology in the country.

The briefing organised by the BCS's new office at Bangla Motor intersection was attended, among others, by BCS Vice President Mainul Islam, General Secretary Azizur Rahm£n, Joint Secretary Ali Ashraf and Mostofa Jabbar, a member of the BCS executive committee.

The leaders demanded for immediate enactment of the information technology policy and to make it "industry oriented". The BCS decided to extend co-operation to the IT Task Force initiated by the Federation of Chamber of Commerce Industries (FBCCI), the apex body of the country's business organisations.

The BCS leaders also underscored the need for popularising computers in the villages, district level and all divisional headquarters through displaying their benefits and uses.

They also announced steps to form member organisations at the district level.

The association leaders called for implementation of copyright law to protect local software developers.

They demanded continuation of the existing zero duty on computers and extension of tax holiday for the expansion of local computer-related industries.

Their demands include charging of annual depreciation of 100 per cent, development of the telecommunication facilities, easy access to Internet at cheaper rates, and establishment of a separate IT Ministry for expansion of IT sector.

£ 25m UK, Dutch aid for financial sector reforms

UNB, *Dhaka*

Bangladesh will receive 25 million pound sterling (about Tk 200 crore) as grants for financial reforms from the United Kingdom and Netherlands under a tripartite agreement.

Of the amount, 18.75 million pound (Tk 150 crore) will come from the British government while the rest 6.25 million (Tk 50 crore) from the Dutch government.

The grants will be provided for implementation of the Financial Management Reforms Programme.

Finance and Planning Minister M Saifur Rahman, UK Minister of State for External Development Assistance Hillary Benn MP and Dutch Ambassador in Dhaka Paul Zwetsloot signed the agreement Monday on behalf of their respective governments.

Economic Relations Division (ERD) Secretary Anisul Huq Chowdhury and British High Commissioner in Dhaka David Carter were present at the signing ceremony at NEC auditorium.

Another report says: Finance Minister M Saifur Rahman Monday apprised British State Minister Hillary Benn MP of the government's frantic bid to come up with further reform programmes besides ongoing ones in the financial sector to recover from the economic slowdown.

"Reform programmes are under way ensuring transparency and accountability to accelerate the financial sector and further reform programmes are also in the process of being implemented," Saifur told the British lawmaker when he called on Saifur at his Planning Ministry office.

Saifur apprised Hillary of the government's ongoing priority programmes, including free education for girls from primary to higher secondary level and scholarship for them, expanding health services, supplying safe water and developing basic infrastructure, communications and sewerage systems.

53rd showroom of Rangs Electronics opens at Rifles Square

Rangs Electronics Ltd opened its 53rd showroom at Rifles Square at Jigatala on the city yesterday, says a press release.

Senior Manager of Sony Singapore T Fujita inaugurated the showroom.

Managing Director Aktar Hussain, Directors -- Sachimi Hussain, J Ekram Hussain, Beanus Hussain, Jason Ong, Officer-Market Development, Sony Singapore, General Manager Sabur Ahmed and other high officials of Rangs Electronics Ltd were present on the occasion.

Apart from 53 sales and service centres of its own, the Rangs Electronics Ltd has a network of more than 150 authorised dealers throughout the country.

PHOTO: RANGS ELECTRONICS

T Fujita, Senior Manager of Sony Singapore, inaugurates the 53rd showroom of Rangs Electronics Ltd at Rifles Square in the city yesterday.

Siemens opens pavilion at DITF

STAR BUSINESS REPORT

Siemens yesterday launched its pavilion at the Dhaka International Trade Fair (DITF).

German Ambassador to Bangladesh Dietrich Andreas formally inaugurated the pavilion. Hermann Nicolai, Deputy Head of Mission and Counselor of Economic and Press and other high officials of German embassy were present on the occasion.

Dr Peter E Albrich, Managing Director and CEO of Siemens Bangladesh Ltd, welcomed the ambassador at the function.

Siemens is one of the largest electronics and electrical engineering companies in the world. The company has been involved in information and communication, automation, power generation and distribution, medical systems, transportation and lighting sectors for 150 years.

PHOTO: STAR

German Ambassador to Bangladesh Dietrich Andreas inaugurates the Siemens Pavilion at the Dhaka International Trade Fair yesterday.

Objective of tariff policy: growth of revenue?

MAJ GEN AMJAD KHAN CHOWDHURY (RETD)

The key to development

Development is something very close to our hearts. But what is development? It may mean many things to many people. Here the meaning that I am referring to is prosperity both at the national level and at the level of the individual, at the macro and micro levels. This prosperity is measurable in various ways: in terms of gross national product (GNP), per capita income, growth, and so on. To me, development signifies creation of jobs, or, employment generation. A person is happy if he or she is employed in a profession and is earning a legitimate income commensurate with his expenses. In a third world developing country like Bangladesh, creation of jobs should be the focus of economic development.

I have often wondered what is the most important single measure that governments can take to create jobs in the shortest span of time, and within the financial means of the state. It seems to me that it is the adjustment of tariffs, which can create employment within the shortest period of time, something any government can, must, and could do without unduly taxing the exchequer. Put in other words, what hurts the economy most that can be ameliorated easily within the financial resources of the state: it is the fixation of tariffs with a view to promoting domestic employment while serving the purpose of collecting revenues for the national budget that will largely achieve these objectives.

To me, these objectives are complimentary to each other, as opposed to being in conflict. Unfortunately, in real life, the latter is often the case. Therefore, are we surprised that developmental efforts in our country are often stifled, to say the least? What is the real situation prevailing in Bangladesh? Let us take a brief look at the realities at 'ground zero' and see for ourselves what has painfully been apparent to various stakeholders of the national economy for long.

Bangladesh started her economic development by a policy of wholesale nationalisation. Later, successive governments have adopted market-friendly policies and designated private enterprise as the main engine of development. With a dwindling per capita arable acreage, traditional agriculture can no longer support a burgeoning work force. It is the consensus national opinion in Bangladesh that private sector led rapid industrial development is the means to break out of the poverty trap by generating required levels of employment. As capital goods, most raw materials, technology and many essential services are mostly not available locally; initial set-up and their subsequent operation depend much on imports. Thus, tariff and import policies assume supreme importance for the national development efforts of Bangladesh.

Tariff and import policies

Tariff policies should be sound and fair, responsive, predictable and consistent. Those must also be implemented efficiently, implying the paramount need for good governance. Tariff policies and their implementation play a decisive role in translating developing strategies into reality. But the supreme importance of development aspects of tariff policy is hardly recognised by most policy makers. Gross anomalies also exist in these policies, which directly vitiate against the stated development objectives of the government.

Tariff policy formulation process

Tariff and import policies are designed to achieve many important objectives. These may be itemised: (i) collecting government revenue (ii) encouraging export (iii) providing protection to domestic industry (iv) liberalising imports (v) consumer protection (vi) rational allocation of resources and, (vi) protection of agricultural sector against cheap imports. Thus, mere revenue collection can no longer be the prime object of a national tariff policy.

The two principal institutions engaged in policy formulation process -- Tariff Commission (TC) and National Board of Revenue (NBR) -- often seem to be at opposite ends of a divide. A number of government and donor documents suggest a pivotal role for the TC. Yet, rules of business of the government allocate the duty of formulating tariff structure to the NBR, relegating the TC to an advisory role. Even then, the TC could play an effective role if all its recommendations were accepted. But most recommendations of the TC are rejected by the NBR, or only partially reflected in the budget.

The TC usually formulates polices on the basis of public hearing, where different chambers of commerce and industry, and other interested bodies take part. Conflicts of interest between different interest groups are attempted to be resolved in these hearings. Attempts are also made to provide due weight in order to protect producer and consumer interests. In the post WTO scenario, watching over dumping is an additional TC responsibility.

The basic cause of conflict between the TC and the NBR may be due to a single instrument (tariff) being used to achieve two different objectives: revenue collection and industrial development. With poor direct tax collection, the NBR relies heavily on indirect taxation to fulfill its quota. Thus, industry-specific tariff protective measures are hardly reflected in the tariff structure designed by the NBR. When revenue targets for the NBR are set and monitored by the Ministry of Finance as frequently as every month, the primary object of the Board remains collection of revenue. The usual practice by the NBR is to apply a descending rate of tariff on importable goods. The highest rates are levied on finished products, lower rates on intermediary products and the lowest on raw materials. Even this simple principle is not often followed in actual practice. In this respect, a few selected case histories are presented below.

Selected case histories

(i) Food processing industry: Indigenous food processing industry is a new entrant in our industrial scenario. They face stiff competition from cheap imports, besides being beset with many problems such as artificially high price of domestic sugar and salt. Imported packaging materials are essential part of the production process. In 1997-98, however, customs duty on imported fruit juice in aseptic packaging was 45 per cent, whereas, customs duty and supplementary duties on aseptic packaging was 127.5 per cent, on chemicals 40-47 per cent, and on cans 50 per cent. It is apparent that this tariff structure encouraged import of finished products, while grossly discouraging domestic food processing (mainly fruit juice).

(ii) Agricultural pumps: Numerous local small-scale industries manufacture irrigation pumps contributing to expansion of irrigation and agricultural production. Principle raw materials for manufacture of such pumps are hard coke and pig iron. Some years ago, these essential raw materials attracted 30 per cent and 7.5 per cent import duties respectively. In addition, VAT at 15 per cent, AIT at 3 per cent, licence fee at 2.5 per cent, and IDSC at 2.5 per cent was also levied. Simultaneously, all taxes, duties and levies were removed from imported agricultural pumps. These tariff measures spelled doom for a large number of local manufacturers.

(iii) Industries assembling lifts: A large number of lifts are imported to cater for the building industry. In view of this demand, some local entrepreneurs started assembling lifts. The sate of local technology precluded manufacture of the entire device. They fabricated major portions, while critical parts were imported as spare parts. However, in 1990-91, import duty on complete lifts was removed altogether, whereas import duty on spares remained at 50 per cent. In 1991-92, a nominal import duty of 10 per cent was levied on complete lifts, but in 1992-93, duty on spare parts was enhanced from 50 to 60 per cent! These measures were enough to kill this promising industry.

In effect, as these case histories indicate, instead of providing protection to promising local industries, these policies directly caused their untimely demise. Instead of employment generation, the policies added to unemployment, thereby negating the objectives of national development strategy.

Admittedly, many such anomalies have been remedied somewhat in recent years, but not without causing irreparable harm to local industries.

Structural weaknesses and conflicts

Searching for reasons for aberrations in tariff structure, many causal effects in government machinery may be discerned. The officers charged with important functions in TC are mostly awaiting more lucrative postings. The Commission lacks adequate analytical capabilities for making appropriate recommendations to the government. Though a donor financed training programme has strengthened analytical skills of the TC, it is feared that the trained officials will soon depart on other appointments. It does not bode well for the organisation when seven chairmen are changed in three and a half years. Such short shelf life of chief executives hampers efficient administration of the organisation. Smooth and efficient functioning of the organisation becomes a casualty in such circumstances.

Conflict of interest between various business groups, manufacturers and traders exacerbate the inherent conflict between the TC and the NBR. In public hearing process of the TC, different chambers of commerce and industry, business associations, NGOs and other interest groups project their narrow and parochial viewpoints. Agents representing foreign manufacturers and suppliers, and lobbyists' groups are known to unduly influence policy formulation process. Many small-scale industries are not represented at all, or, are swarmed by the weight of money and political power of big-business associations.

Conclusion

Rapid industrial development to alleviate poverty by creating employment is the stated goal of our national development strategy. Thus, tariff structure can no longer be viewed simply as a tool for revenue collection. Structural and organisational weaknesses limit the TC to play its ordained role. Its recommendations are mostly ignored in budget proposals. Absence of adequate research and analytical capabilities continues to plague its deliberations. Frequent change of its chief executive and transfer of key personnel impede its smooth functioning. These weaknesses may be addressed and remedied without any further loss of time.

It is high time that the policy makers re-examined and re-evaluated formulation and implementation of tariff policies to arrive at a rational and effective action programme. A rational, modern and forward-looking tariff policy reflecting the national aim will go a long way in rapid industrialisation of the country.

The writer is the President of Bangladesh Agro-Processors' Association (BAPA)