

Rise in import duties to stall industrialisation

Manufacturers warn

Nazmul Ahsan

The pace of industrialisation will run into trouble if the government goes ahead with its plan to up import duties to 10 per cent from existing 7.5 per cent, manufacturers feared yesterday.

They said the cost of raw materials and intermediary goods will be higher if the move is materialised in the next budget.

The comments came following a government move to increase the import duties in the next national budget for 2003-04.

"The decision will encourage import of finished goods," said a leading manufacturer.

Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) President Yussuf Abdullah Harun said the business community will oppose any such

move of reshaping the import duties.

He said the prospect of industrialisation will be hit hard once the lowest import duty slab is upped to 10 per cent in the next fiscal year.

"The pace of industrialisation will certainly be halted and the industrialists will be discouraged once the lowest import duty is fixed at 10 per cent," Harun said.

Bangladesh Textile Mills Association (BTMA) President M A Awal said the import duty on necessary spare parts and accessories used in the textile industries should be brought down to nil instead of existing 7.50 per cent.

"The country's textile sector will be jeopardised if the existing lowest import duty is enhanced," BTMA president said.

Earlier, business communities at a pre-budget discussion

demanding introduction of four-tier import duty structure with five per cent lowest slab and 30 per cent highest.

But Finance and Planning Minister M Saifur Rahman rejected outright the plea and asserted on introducing three tiers of import duties. He said the government will enhance the existing lowest slab and slash the highest slab in the next fiscal.

Meanwhile, independent think tank Centre for Policy Dialogue (CPD) proposed 10 per cent maximum import duty for importing capital machinery, primary commodity, parts and appliances in the upcoming budget.

The CPD also suggested the government for introducing 20 per cent import duty for intermediary goods and 30 per cent for finished products.

In the budgetary suggestions,

the CPD urged the government to eliminate eight types of non-tariff duties in the import labels, such as supplementary duty, infrastructure development, regulating duty, advance income tax etc.

The budget proposals of the CPD were made on April 27 during an FBCCI discussion titled 'Stimulating Growth and National Budget FY 2004'. Executive Director of the CPD Debapriya Bhattacharya delivered the keynote presentation.

When asked, Debapriya Bhattacharya said with a view to keeping conformity with the global and regional competitive rate of import duty, the import slabs should be 10 per cent, 20 per cent and 30 per cent in the next budget.

Bhattacharya urged the government to eliminate non-tariff duties in the upcoming budget to protect emerging local industries.



PHOTO: STAR

People sit in front of a closed market compound in Dhaka as English Road Iron and Steel Merchants' Association went on an indefinite strike yesterday demanding withdrawal of VAT on retail sales. Some 700 steel traders kept their shops shut in support of the strike at the old part of the capital.

Collateral-free loan ceiling up

STAR BUSINESS REPORT

The government has increased the ceiling for collateral-free loan from nationalised commercial banks (NCBs) to Tk 10,000.

Industries Minister MK Anwar disclosed this yesterday. The minister said such finances will be extended to small and medium enterprises (SMEs) where the ceiling was Tk 5,000 earlier. The minister assured the limit will be raised to Tk 50,000 in future.

If a project is deemed viable, Employment Bank and Ansar-VDP Bank offer Tk 50,000 loan without collateral for SMEs, the minister said, hinting that the loan volume will be further increased to help grow the sector.

"As a traditionally agricultural country, Bangladesh should keep promoting small industries to create a solid footing for adopting high technology-based industries," he said while addressing the

inauguration of a traditional food festival at the FBCCI conference room in Dhaka.

Though Bangladesh produces surplus agro-products, Anwar said, a large part of it goes rotten due to inadequate preserving and processing facilities.

"Why should we import American tomato ketchup and Malaysian parata (loaf) when we have autarky in agro produce," he questioned.

The bureaucrat-turned politician urged local entrepreneurs to invest in agro-processing sector which has almost 100 per cent value addition.

Appreciating Women Entrepreneurs Cell of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) for organising the food festival, the minister said the country cannot see economic emancipation if women, who constitute half of its

population, remain confined to household work.

"We must encourage women to do business and groom female entrepreneurship to uplift their fate," he went on.

Weighing the importance of food industry, the minister said Bangladesh can earn billions of dollars by exporting food items if modern processing and preserving plants are set up.

Citing the success story of McDonalds chain shop, he said local entrepreneurs should follow this path and develop chain shops to market Bangladeshi food abroad.

In order to popularise Bangladeshi food abroad, State Minister for Commerce Barkat Ullah Bulu proposed that traditional local cuisine may be served to foreign guests at state dinners.

FBCCI President Yussuf Abdullah Harun said since local

RMG industries cannot survive for long banking only on cheap labour, investors should move quickly to diversify the export basket.

If given proper support, food sector can emerge as an export-oriented sector expanding the country's limited export basket.

Some 62 women entrepreneurs from nine districts took part in the daylong event. A total of 30 mouthwatering traditional food items, including homemade cake, pickle, sweetmeat, fish and rice, were displayed at the first ever exclusively women-sponsored food festival.

Prof Monsur Musa, director general of Bangla Academy, Mohammad Ali, vice-president of FBCCI, Prof Masuda M Rashid Chowdhury, director of FBCCI, and Nasreen Awal Mintoo, director of FBCCI, spoke at the inaugural ceremony.

Bhutan keen to set up food processing unit at Ishwardi EPZ

BSS, Dhaka

Bhutan is keen to set up a food processing industry at Ishwardi Export Processing Zone (EPZ).

The Bhutanese Minister for Industry and Commerce, Lyonpo Khandu Wangchuk, said this while visiting Chittagong EPZ, according to a press release of Bangladesh Export Processing Zone Authority (BEPZA) here.

On his arrival at Chittagong EPZ, the Bhutanese minister was received by BEPZA Executive Chairman Brig. Gen. (Rtd.) M Mafizur Rahman.

Mobil to supply lubricant to CNG Distribution Co

Mobil Jamuna Lubricants Limited has signed a lubricant supply agreement with CNG Distribution Company Limited (CDCL), says a press release.

Under the agreement, Mobil lubricants will now be available at all gas stations of CDCL.

Managing Director of Mobil Jamuna Lubricants Limited Azam J Chowdhury and Managing Director of CNG Distribution Company Limited Sun Jie signed the agreement on behalf of their organisations in Dhaka yesterday.

US to help set up container scanning system at Ctg port

NURUL ALAM, Chittagong

The United States has offered financial support to the customs authorities here for installation of a container scanning system at Chittagong port, customs officials said.

The proposal came as part of a project to introduce container security initiatives (CSI) at the port, port sources said.

While talking to this correspondent, Commissioner of Chittagong Customs House Rashidul Ahsan Chowdhury said they have received the proposal for financial aid after an American expert team

met customs officials here last week.

"Meanwhile, we also proposed to National Board of Revenue (NBR) to take steps for installing container scanning system at the port for easy examination of cargo containers as it is difficult to check manually," the commissioner said.

"If we can introduce scanning system it will also help check the import of goods under false declaration by a section of traders, besides ensuring pre-shipment security check of containers bound for foreign ports," he said.

Chairman of Chittagong Port Authority (CPA) Commodore (Rtd)

Zulfikar Ali said pre-shipment security checks through scanning should be done at Chittagong port for greater interest of maritime trade of the country. "Most of our containers bound for the US and other foreign destinations are scanned in Singapore or Bombay."

Port officials said some 50,000 containers are annually transported to the United States from here through transshipment. The United States is a major market for Bangladesh's key export, ready-made garments.

Sources said the installation of scanning system at the port may cost about Tk 30 crore.

US officials happy with dollar fall

REUTERS, New York

Officials at the US Treasury Department are happy to see the dollar's gradual decline, but hope to keep markets guessing about its policy so as to prevent a disruptive plunge, macro-political advisory group Medley Global Advisors said.

The Medley report, seen by market sources on Tuesday, said US officials plan to counter any complaints at a G7 meeting this weekend with calls for Europe to cut interest rates and for Japan to undertake structural reform.



PHOTO: AMCHAM

Former chief justice Mustafa Kamal (3rd from left) speaks at the monthly luncheon meeting of American Chamber of Commerce in Bangladesh (AmCham) in Dhaka yesterday. Yussuf Abdullah Harun, president of the Federation of Bangladesh Chamber of Commerce and Industry (FBCCI), Mary Ann Peters, US ambassador in Dhaka, Aftab ul Islam, president of AmCham, Christopher Webster, deputy chief of Mission, US Embassy, and A Gafur, executive director of AmCham, were also present.

Auto show begins on May 21

AFP, Dhaka

Bangladesh will this month host the first auto show of its kind in the country to woo customers to buy new foreign cars rather than reconditioned ones, organisers said Wednesday.

"The show will bring about 18 brands of vehicles from across the world," M. Salahuddin, general secretary of the Bangladesh Automobile Distributors Association, told AFP.

He said the five-day show,

opening May 21 in the capital Dhaka, aimed to raise public awareness about the new-car market besides showcasing particular makes.

In the past, Bangladeshis have mostly imported reconditioned cars, particularly from Japan, rather than buying new vehicles from abroad.

Citing environmental concerns, the government last year banned the import of reconditioned vehicles, although under pressure from the industry allowed the trade to

continue for another three years.

G.M. Nawsher, who imports cars from Italy, said the auto show hoped to show Bangladeshis that new cars were within their price range, thanks in part to government initiatives such as lower import duties and other taxes.

"It is a beautiful sporty car," he said as he showed off an Alfa Romeo. The price of the luxury car has not been set, but he said it would cost around 2.2 million taka (38,000 dollars).

Italian automaker Fiat's Indian

arm recently said it would aggressively target the market in Bangladesh after receiving the first orders there for its Palio, priced at more than 600,000 Taka (10,345 dollars).

Nawsher said Palios were mostly used in Bangladesh by taxi operators.

The auto show will also feature models from Mercedes Benz, Toyota, Nissan, Volvo and India-based Maruti-Suzuki and Tata.

set in September 2000 of \$126.33 billion. However, US exports were only fractionally higher at \$82.8 billion, as anemic overseas growth kept a lid on demand.

Jim Glassman, senior economist at JP Morgan, said he was doubtful the lower dollar would have much long-term impact on the trade gap because of the sharp differences in economic growth around the world.

"The only way that the US trade deficit is going to stabilise and reverse some will be the when global economy begins to boom and everybody else starts growing faster than the US," Glassman said. "We may see it in our lifetime, but I'm not holding my breath."

said.

But for now, stronger growth at home than in the rest of world is continuing to widen the trade gap, he said.

US Treasury Secretary John Snow, along with other Bush administration officials, have held fast to the mantra that a strong currency is in America's best interests.

But he also acknowledged in a television appearance over the weekend that the currency's fall has helped exporters, a comment that has some traders questioning the depth of the administration's commitment to the policy.

Buoyed by the higher oil prices, US imports in March hit \$126.30 billion, second only to the record

of 7.6 per cent from February.

Analysts said the higher-than-expected figure could force the Commerce Department to trim its estimate of first-quarter growth from the 1.6 per cent annual rate reported last month and would increase pressure on the dollar, which has been on a downward slide in currency markets for more than a year.

"When you see a trade deficit like this, it basically tells you there's going to be a little bit more weakness in the overall economy," said Banc One chief economist Anthony Chan.

The huge trade gap will hurt the dollar and then, over time, the dollar's fall will boost US exports, trimming the trade deficit, Chan

Oil continues to rise

AFP, London

Oil prices headed upwards again Wednesday after terrorist bombings in leading world exporter Saudi Arabia, as dealers also braced for production cuts by OPEC.

The price of benchmark Brent North Sea crude oil for June delivery rose 32 cents per barrel to 26.22 dollars in early deals, having gone up by 99 cents the day before.

In New York, light sweet crude June-dated futures gained 16 cents per barrel to 28.66 dollars in out-of-hours electronic trading, following on from Tuesday's 1.15-dollar per barrel surge.

Chinese city to foster top brand name products

ANNI China Daily

The Chinese city of Shenzhen will attach more efforts to foster top brand name products in a bid to upgrade the city's status in the domestic and international markets.

Ten Shenzhen-based producers were awarded 1 million yuan (US\$120,000) each by the municipal government after they won the title of China Top-Brand, which is awarded by the China Promotion Committee for Top-Brand Strategy.

"Brand names are the guarantees that domestic manufacturers to dominate their home market and are competitive in the global market," said Mayor Yu Youjun at the ceremony to award brand-name producers yesterday.

Pakistan for economic cooperation with India

REUTERS, Islamabad

Pakistani Prime Minister Zafarullah Khan Jamali said on Tuesday it was time for Pakistan and India to exchange political rivalry for economic cooperation.

Jamali told a conference of donors and lenders in Islamabad that an ice-breaking phone conversation with his Indian counterpart Atal Behari Vajpayee last month had focused on the need to improve economic ties between the two nuclear rivals.

"You would be surprised," Jamali said. "When I talked to Indian Prime Minister Vajpayee, his first emphasis was economics."

Jamali said he and Vajpayee, in the first high-level contact between India and Pakistan in more than a year, discussed how their economies could develop, but gave no details.

"Things have to change," he said. "How do you change? You don't change by fighting wars. We have had enough of wars, India and Pakistan... the political culture has to change into the economic culture."

Jamali's comments underscored the massive economic and trade benefits the two neighbours could reap by improving relations and resolving their long-running disputes. Pakistan and India have fought three wars, two of them over

the divided state of Kashmir, since gaining independence from Britain in 1947.

Independent economists say their mutual hostility has diverted crucial development funds to defence spending, leaving masses of people in extreme poverty.

"We want development for our people," Jamali told the Pakistan Development Forum, grouping bilateral donors, the International Monetary Fund, World Bank and Asian Development Bank. "We want to give them clean water, we want to give them good health, we want to give them good education."

In the latest sign of a thaw in relations, India named Shivshankar Memon on Tuesday

as its new High Commissioner (ambassador) to Pakistan. The two scaled back ties after an attack on India's parliament in December 2001 which New Delhi blamed on Pakistan-based Kashmiri rebels. Islamabad denied involvement.

Klaus Enders, head of the Middle East Department of the International Monetary Fund, told the conference a reduction in regional tension was a welcome step that could create "tremendous opportunities" for trade and investment.

There is currently no overland trade between the neighbours and trade in many goods is banned. Official bilateral trade via third countries was just \$204 million in the year to March 2002.