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Tax holiday likely to go

NBR, top business leaders hold pre-budget meet

STAR BUSINESS REPORT

The National Board of Revenue (NBR) at a pre-budget meeting with top business leaders yesterday hinted at discontinuation of tax holiday from the next fiscal year.

In a bid to stop the misuse of tax holiday facility, an alternative facility may be offered to new industries, top NBR officials indicated.

On the other hand, zero-tariff facility on imports should not continue, they also told the business leaders. Presently, there are around 519 items enjoying zero-tariff facility on imports.

NBR Chairman Khairuzzaman Chowdhury, however, sought

advice from the business leaders on how the zero-tariff issue can be addressed.

There are around eight lakh taxpayers including the self-assessed payers and the NBR has taken initiatives to audit around 10,000 files of those taxpayers.

NBR chairman assured the business leaders of doing the audit on special criteria so that the taxpayers are not harassed.

President of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) Abdul Awal Minto, President of International Chamber of Commerce-Bangladesh (ICC-B) Mahubur Rahman and other business leaders were present at

the meeting held at the NBR boardroom in Dhaka.

Business leaders, on the other hand, urged the NBR to continue with tax holiday, adding that misuse of tax holiday should be stopped.

Customs clearing process should be made easy and all importers should be identified, the business leaders felt, observing both dishonest businessmen and tax officials are equally responsible for revenue leakage.

Women entrepreneurs should be offered special tax exemption so that they feel encouraged to start business. People aged over 60 years should also be exempted from tax, they added.

ADB sees Asian economies growing 6.5pc this year

REUTERS, Manila

The Asian Development Bank (ADB) expects Asia, again led by China, to grow 6.5 percent this year and 6.6 percent in 2006 despite high oil prices, moderating global growth and the risk of a sharp dollar depreciation.

In its annual outlook for Asia excluding Japan, the ADB said yesterday that buoyant domestic demand and stronger trade ties would carry over from 2004, when the 7.3 percent growth was the region's most robust since the Asian financial crisis of 1997-98.

China, with its voracious appetite for Asia's exports, will see growth ease to 8.5 percent this year from 9.5 percent in 2004, the Manila-based bank said, adding more austere tightening may be needed to curb over investment and achieve a soft landing.

While most of Asia had become more resilient to economic shocks since the Asian crisis, the ADB said much depended on developments in major industrialised countries and China.

"The problem of external imbalances in the US could become worse, triggering a sharp depreciation of the dollar, a spike in inflation and more sudden increases in interest rates, thus ultimately restraining world growth and trade," it said.

Other risks for Asia included an overheating in the Chinese economy, epidemics, terrorism, diverging foreign exchange rates, currency speculation and sustained high oil prices.

Shahjalal Islami Bank signs deals with People's Leasing

Shahjalal Islami Bank Ltd (SJIBL) signed two separate agreements with People's Leasing and Financial Services Ltd (PLFSL) on Monday in Dhaka.

Under the first deal, SJIBL extends Tk 100 million investment facility to PLFSL against the leasing company's financing of various lease assets. Besides, SJIBL will act as the principal banker to the issue of initial public offering (IPO) being made by the PLFSL under the second deal, says a press release.

Vanik, Apollo Hospitals sign deal

Vanik Bangladesh Limited and Apollo Hospitals Dhaka recently signed an agreement.

Under the deal, cardholders of Vanik can pay their hospital bills to Apollo through Vanik Credit Card, says a press release.

Apollo Chief Executive Officer Richard Larison, Chief Finance Officer Harry Batwell, Director of Medical Services Dr Praful B Pawar, Vanik Vice-president and Head of Cards Ahmed Zafrul Hasan, Assistant Vice-president (credit card and operations) Khurshed Alam and Assistant Manager M Mukter Morshed were present at the signing ceremony.

Saudi-Bangla jt venture co for HR training, skill development

A Saudi-Bangladesh joint venture company -- International Human Resources Development Company Ltd (IHRDC) -- has recently been launched in Dhaka.

Humerscom, a subsidiary of Dallah Albaraka Holding, an international manpower recruiting company of Saudi Arabia, and Silver Line Associate and Orbitals Enterprise, two leading recruiting and placement companies of Bangladesh, are the equity shareholders of the company.

Abdullah A Sabahi, CEO of Dallah Albaraka Holding, MAH Salim MP, managing director of Silver Line Group, and AHH Mustafa Kamal, managing partner of Orbitals Enterprise, a subsidiary of Lotus Kamal Group, signed the agreement on behalf of the organisations.

The IHRDC will carry out all sorts of education, training and human resource development related activities in Bangladesh by setting up training and skill development centres, which will be equipped with all necessary tools and facilities.

Rehab-EC jt venture launched to promote low-cost housing

STAR BUSINESS REPORT

Euro Builders Project, a joint venture between Real Estate and Housing Association of Bangladesh (Rehab) and European Commission (EC), was officially launched yesterday with a view to promoting low-cost housing development in Bangladesh.

The project under EU's Asia Invest-2 Programme also aims to facilitate transfer of technology and introduction of European building technology for low-cost housing in Bangladesh.

The novelty of this project lies in the reflection of targeting the low income group of the country and utilisation of European investment," said Science and Information

Technology Minister Abdul Moyeen Khan while addressing the project launching ceremony in Dhaka.

Esko Kentschynsky, ambassador and head of delegation of the EC to Bangladesh, expressed his satisfaction for the opportunity to work with the enterprises of the Asian countries to contribute to the poverty reduction in the region.

He also assured the science and information technology minister of continued investment flow to Bangladesh in future.

The joint venture will create enormous opportunities for Bangladesh and European entrepreneurs to increase the volume of business transactions in the real estate sector, Toufiq M Seraj, Rehab president, said.

The 18-month long joint venture project started in January 2005 and it will end in July 2006. The EC contributes about 78 percent of the total project cost, which is 128,882 euros while Rehab's contribution is about 22 percent.

Rehab and EC in partnership with Technologie Transfer Zentrum (TTZ), Germany and Association of Young Entrepreneurs of Zaragoza (AIJEZ), Spain are implementing the project.

Program Officer of EU to Bangladesh Jean-Claude Molongo, Honorary consul of the Spanish Consulate Jalal Uddin, Rehab Vice President Mohammad Abdul Awal and Rehab General Secretary Mahmudul Hasan also attended the ceremony.

Central bank ups export development fund to \$100m

UNB, Dhaka

Bangladesh Bank has raised its contribution to the Export Development Fund (EDF) to US\$ 100 million in a bid to cope with a rising need for financing the imports used as inputs of export products.

The fund was initially formed with US\$ 25 million that currently stands, with interest incomes, at US\$ 38.72 million. The money is used only for payment of sight-basis in an effort to reduce the import expenditures of export products, a senior central bank official told the news agency.

Bangladesh Bank issued a circular on Tuesday, apprising the commercial banks of the fund enhancement as well as fixing the interest share of the commercial banks at 1 percent on the use of the Bangladesh Bank's funds.

According to the circular, the authorised dealer banks are also allowed to co-finance the EDF from their respective non-resident foreign currency deposit (NFCD) account, but not more than 50 percent of the account balance.

In case of co-financing, the banks will be allowed to charge LIBOR plus 1 percent interest from a borrower-exporter.

The commercial banks will have to submit applications for EDF to the general manager of the Forex Reserve and Treasury Management Department from now on instead of Department of Off-sight Supervision, it added.

Tifa with US to cost Bangladesh dearly

ActionAid discussion told

Bangladesh will lose trade benefits it enjoys with the US under the ongoing multilateral trade agreement of WTO if it signs the Trade and Investment Framework Agreement (Tifa) with the country, speakers told a discussion yesterday in Dhaka.

The US may use this agreement (Tifa) as a pressure tool against Bangladesh in the World Trade Organisation negotiations, they said at the discussion on bilateral trade agreement and national interest, organised by ActionAid Bangladesh, an NGO.

The discussants also said the long-term goal of Tifa is to deprive Bangladesh of trade benefits that the country is supposed to get as a least developed country in line with the WTO agreement.

They said as an LDC Bangladesh should concentrate on multilateral agreements instead of bilateral deals.

In the post-MFA era, developed countries have taken a strategy to sign bilateral trade agreements with poorer countries, they said, adding that in the name of bilateral agreements rich countries basically plan to take trade advantages.

Ziaul Haque Mukta, natural resources and service affairs leader of ActionAid Bangladesh, said as per Tifa draft both the countries will put emphasis on intellectual property rights law.

"Bangladesh is not bound to enact the intellectual property rights law until 2016 under the WTO rules. But the US will put pressure on Bangladesh to make the law if the Tifa is signed," he added.

India's economic growth unlikely to cross 7pc

Manmohan says

PALLAB BHATTACHARYA, New Delhi

India's economic growth in the next two years is unlikely to be more than 7 percent due to slippage in the last three years mainly because of agriculture sector.

Addressing a full meeting of the Planning Commission here yesterday, Prime Minister Manmohan Singh said although the Tenth Five-Year plan had set the target of 8.1 percent growth per annum, it now appears that even with optimistic projections for the next two years, the average growth is not likely to go beyond 7 percent.

Meanwhile, Finance Minister P Chidambaram told reporters that the government plans to increase the FDI (foreign direct investment) limit in the sensitive insurance sector from 26 to 49 percent and open up the retail trade to FDI.

Referring to FDI in retail trade, Chidambaram said "cash-and-carry is allowed now and we have to work out a policy on FDI in retail sector."

Local exporters eye growth on US safeguard measures against China apparels

BDNEWS, Dhaka

As United States launched safeguard measures against certain products especially apparels from China, exporters and economists here dubbed the steps as a positive sign for Bangladesh.

The European Commission, the executive body of the European Union (EU), is also going to consider the issue of imposing restrictions on apparel imports from China.

"These are definitely positive signs for local garment exports as the situation will expand Bangladesh's opportunity in the US market," said Atiur Rahman, an economist.

Atiur said, "China is our number one competitor in exporting apparel items."

On April 4, US commerce department said the committee for the implementation of textile agreements (CITA) has launched proceedings to determine whether imports of those products from China are disrupting

the US market.

The decision is seen as the first step for safeguard action allowed under China's World Trade Organisation (WTO) accession agreements.

The products subjected to review will be Chinese knit-shirts, blouses, trousers and underwear.

President of Bangladesh Knitwear Manufacturer and Exporters Association (BKMEA) Fazlul Haq said, "This is a positive step for country's garment sector. China's export growth in those three products were 1500 percent compared to last year's export."

If the US imposes embargo on import of those three products, it will help our industry, Fazlul hoped.

Launching the safeguard proceedings, US Commerce Secretary Carlos Gutierrez said, "This decision is the first step in a process to determine whether the US market for these products is being disrupted and whether China is playing a role in that disruption."

The total proceedings will take more 90 days.

Though Bangladesh holds only two percent share of the US apparel import, a BGMEA Director Tipu Munshi said, "If it can reach three percent because of the Chinese import restriction in the USA, it will bring a lot of benefits for us."

"Our trousers exports are facing setback as China is our number one competitor," Tipu added.

But economist Atiur thinks Bangladesh does not need to be overwhelmed by the decision of the USA and EU, who are the largest importers of apparel from the developing countries.

"If we cannot reduce the cost of business, we have no hope," Atiur observed.

Bangladesh's export earning was \$5686.09 million in 2003-04 increasing from \$4912.09 million in 2002-03, which mainly comes from the EU and USA.



Asian Development Bank's Bangladesh Officer-in-charge Hua Du speaks at a press conference on the bank's flagship publication -- Asian Development Outlook 2005 -- in Dhaka yesterday.

SME FAIR SEMINARS

Lack of infrastructure hurts light engineering industry

STAR BUSINESS REPORT

Bangladesh's light engineering industry is failing to achieve expected growth, thanks to inadequate support from the government and lack of infrastructure, speakers at a seminar observed yesterday.

They also said dearth of required raw materials and knowledge about marketing is retarding the growth of the sector.

They were speaking at the seminar on the sidelines of 12-day SME Fair 2005 in Dhaka. Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)

organised the seminar.

Speaking at the function, Law, Justice and Parliamentary Affairs Minister Moudud Ahmed said the country has deficiency in raw materials for establishing heavy or big industries.

"So, we have to follow 'go in a small way' policy and improve the sector," he said adding that a separate division in the government should be established to boost the development of SMEs.

In response to a demand of the entrepreneurs, Moudud said he will talk to industries minister about bringing subcontracting in the next

Public Procurement Regulation.

Expressing dissatisfaction over the print media, he said when people read newspapers they find the country is on the verge of collapse. But overall development activities are not reflected in the papers, he added.

FBCCI President Abdul Awal Minto said most of the SMEs especially light engineering enterprises in Bangladesh are facing a number of inter-related problems such as shortage of long and short term finance, marketing problem, lack of technological know-how and inadequate power supply.

Trading retards SME growth

BDNEWS, Dhaka

Popularity of trading business and the increasing number of traders in the country are hindering the growth of the SMEs (small and medium enterprises), speakers said at a seminar in Dhaka yesterday.

They said traders are dominating the country and influencing policy makers and major trade bodies.

They also said Bangladesh does not have the right environment for less profitable industries because of the government's tax policy and more emphasis on export rather than local market.

"National Board of Revenue is imposing tax up to 35 percent on locally assembled computer, UPS of computers and solar generator, whereas importers could import those for zero tariff," said Dr Khondker Siddique-e-Rabbani, the chief advisor to Bangladesh Electronics Innovative Manufacturers' Association (BEIMA), while presenting the key note paper at the seminar on "Access to Finance For Small and Medium Enterprises."

Besides the tax policy, lack of a guideline for the investors, high bank interests, no data of actual lists of SMEs, indiscipline in planning, rampant bribery and lack of information are among the main factors that are holding back the SME sector. They said there is even no exact definition of SME.

Siddique in his key note paper pointed out that as the import duty on finished TV sets was reduced in 2002, cheap Chinese TV sets flooded the market that dealt death blows to thousands of local TV manufacturing units.

"Our tax policies have always favoured importing of finished products rather than local production," Siddique said adding that UPS of computers and solar generators have been enjoying zero import duties while tax and VAT range from 35 percent to 90 percent on the import of their raw materials.

The women entrepreneurs informed the minister that there are no plans and special project to help women entrepreneurs.

"We do not even know which bank we need to go for loans and we are also not sure how we would handle the banking loans," Mahmuda Rahman, a woman entrepreneur from Rangpur told the minister.

Industries minister said trade-related people are influencing the government policy but industry owners are failing to do so.