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Star BUSINESS

DHAKA SUNDAY APRIL 24, 2005 E-mail: business@thedailystar.net

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PLASTIC GOODS INDUSTRY

Misuse of bond facility hurts genuine raw material importers

STAR BUSINESS REPORT

With raw materials of plastic goods imported under bond facility flooding the local market, genuine importers are being affected in the face of uneven competition with the unscrupulous traders.

According to sources, some corrupt customs officials are involved in issuing bond license in favour of a section of traders who do not have any production unit. These traders are importing raw materials under bond facility and selling them in the local market to make money overnight, sources said.

An importer needs to pay a total of 42 percent duties and taxes including 15 percent import duty, 15 percent value-added tax (VAT), four percent development surcharge and three percent advance income tax (roughly Tk 27,000 per tonne) to import polyvinyl chloride (PVC), polypropylene, polyethylene -- the basic materials of different plastic products. But there is no duty when these are imported under bond facility for the fully export-oriented industries.

"In fact, high duty on these raw materials is one of the reasons for which bond facility is being misused," said a source adding that countries such as India, Sri Lanka, Pakistan have still kept duty low on these items to check illegal import.

After formal duty payment, import cost of plastic raw materials amounts to around Tk1.14 lakh per tonne but the cost stands at Tk 78,000 when imported under bond facility.

Including payment of all duties and taxes, import cost of one bag of raw material amounts to Tk 2,830 but raw materials are sold at Tk 2,400 per bag in the open market, sources said.

Even the policy and decision makers know about this malpractice

and finance minister in his budget speech for the FY 2003-04 also mentioned it.

According to National Board of Revenue (NBR) notification, export-oriented companies, which import these items should mention 'Import Under Bond' while opening letter of credits (L/Cs). But these venal traders do not even bother to mention it.

The NBR statistics shows that raw material import in January and February this year soared unusually high and relatives of politically influential leaders own some of the companies that imported goods during this period.

Against this backdrop, the NBR issued a statutory regulatory order (SRO) imposing some restrictions including a 100 percent bank guarantee in releasing imported goods hoping that it would make the process more transparent. However, a 25 percent bank guarantee was

made effective later for mysterious reason.

The government's revenue income during July-March period of the current fiscal fell about Tk 2,000 crore short of target. The shortfall has been mainly ascribed to a much higher increase in tax-free imports compared to taxable ones, the finance minister observed recently after a meeting with the NBR officials.

The NBR approximately earned Tk 100 crore as duties from the import of plastic raw materials in the first three months of the current financial year. "But revenue income from these items has dropped heavily in the following months as the process affected the legal imports," explained a member of Bangladesh Polymer Importers Association (BPIA).

On the other hand, imports of raw materials under the guise of duty-free bond facility have

increased substantially in recent months and flooded the local market, he added.

To stop misuse of bond facility, a high-powered committee with representatives from chambers, importers and NBR should be formed for issuing bond licenses, BPIA earlier recommended the NBR.

Before issuing bond license in favour of any importer, the authorities concerned should investigate respective plants, production capacity, number of employees in the factory and legal electricity connections, which would help them to be sure whether the importer is a genuine one, the association suggested.

Checking illegal import of plastic raw materials through stern actions would help the government earn additional Tk 500 crore from these items, the association observed.



PHOTO: STAR

Mirza G Erfan, managing director of Electro Venture Group, formally inaugurates a weeklong service campaign for Mercedes-Benz passenger vehicles yesterday in Dhaka. **Romo Rouf Chowdhury**, managing director of Rancon Motors, the general distributor of Germany's DaimlerChrysler in Bangladesh, was also present at the inaugural ceremony of the campaign.

Low-income people need to be brought under banking service

Says governor

UNB, Dhaka

Bangladesh Bank Governor Dr Fakhruddin Ahmed, before finishing his onerous job, made a call yesterday for his colleagues in the central bank to take a challenge of bringing more people from the low-income group under the banking services.

"It's the future challenge of the banking sector," he told the bank executives, appreciating their contribution to the ongoing reforms in the financial sector, which he claimed to be immensely beneficial for the country's economic development.

He was addressing a meeting of the central bank officials as he was sharing his working experience before saying goodbye.

Fakhruddin's contract as the central bank governor expires on April 30, after serving for three years and five months to lead a huge reform programme in the banking and financial sector that attracted wide appreciation.

Rancon Motors launches service campaign for Mercedes-Benz vehicles

STAR BUSINESS REPORT

Rancon Motors Ltd, the general distributor of Germany's DaimlerChrysler in Bangladesh, yesterday launched a weeklong service campaign for Mercedes-Benz passenger vehicles under the guidance of a German expert.

Mirza G Erfan, managing director of Electro Venture Group, formally inaugurated the service campaign. Romo Rouf Chowdhury, managing director of Rancon Motors, was also present at the inaugural ceremony of the campaign.

Michael Helffrich, a service expert from DaimlerChrysler, Germany, is conducting the campaign at the Rancon's Tejgaon service center and showroom.

In the fifth service campaign, the German expert will give services and guidelines to Mercedes-Benz owners in Bangladesh. The owners can enjoy this free of cost service from 9am to 6pm until April 28.

Speaking at the inaugural ceremony, Romo put emphasis on customers' satisfaction in terms of sales and service and said customers of Mercedes-Benz will get best possible after-sales services from Rancon Motors matching the global service standards.

Every year under the guidance of a German service expert, the service campaign offers satisfaction to Mercedes-Benz customers, he added.

Earlier, Rancon Motors, a concern of Rangs Group, conducted four service campaigns in Dhaka and two in Chittagong.

Mohd Arifur Azim, head of operation of Rancon Motors Ltd, and other high officials of the company were also present at the inaugural function.

Sylhet int'l trade fair opens

UNB, Sylhet

Finance and Planning Minister M Saifur Rahman yesterday called for massive investment initiatives in industry as he inaugurated an international trade fair here.

He suggested proper initiatives for producing standard and cost-effective products, both for local market and export.

"The government is playing an effective role to make the country self-reliant," the minister said inaugurating the fair, arranged by Sylhet Chamber of Commerce and Industry.

He said an atmosphere congenial to establishing and expanding trade and industry is now prevailing in the country.

Terming the district a labour-intensive area of the country, the finance minister urged the local people to set example through investment to encourage the expatriates to come up with business plans.

Among others, M Ilyas Ali MP, Shafi Ahmed Chowdhury MP, Commissioner of SCC Arifur Haque Chowdhury, Deputy Commissioner M Harun Chowdhury, Chamber President Faruq Ahmed, Director Nasim Hossain and Vice President Junnun Mahmud Khan were present.

BB suspends Premier Bank dividend disbursement

STAR BUSINESS REPORT

Bangladesh Bank (BB) yesterday suspended disbursement of dividend declared by scandal-struck Premier Bank Limited.

Earlier, the bank's annual general meeting yesterday declared 36 percent dividend for the year of 2004.

After receiving the AGM notice from Premier Bank in the morning, the central bank asked the commercial bank in a written statement not to declare any dividend. The Premier Bank replied that the dividend had already been announced. Then at noon BB directed the bank management to stop distribution of the dividend.

BB sources said the embargo was

imposed considering interest of the depositors as a body is investigating the irregularities by bank management in connection with its initial public offering.

Talking to The Daily Star last night, Premier Bank Chairman HBM Iqbal said, "Since the BB has imposed restriction, we will suspend distribution of the dividend." Asked about the possible reason for the embargo, he replied BB did not mention any reason.

Premier Bank earned an operating profit of Tk 93 crore in 2004 and after deducting tax, the net profit stood at about Tk 20 crore.

Nurul Alam, deputy managing director of the bank, presided over the meeting in absence of the bank's beleaguered Managing Director

Kazi Abdul Mazid who is on leave.

The Securities and Exchange Commission (SEC) on February 12 suspended the Premier Bank IPO worth Tk 55 crore after a huge number of BO accounts had been found fake in its preliminary investigation.

Bangladesh Bank in its investigation on the scam detected irregularities in opening some 18,000 bank accounts with different branches of the Premier Bank apparently to use the accounts to apply for the IPO.

After the investigation, the central bank issued a show cause notice on the managing director asking him to explain his position regarding the irregularities. BB is now contemplating action against the bank management.

Investment opportunity in Bangladesh much better

Wahiduddin Mahmud tells workshop in India

UNB, Dhaka

Eminent economist Prof Wahiduddin Mahmud has said investment opportunity in Bangladesh might be much better than it looks.

The observation came in the wake of the country's accelerated export growth and per capita income, which he claimed to be one of the highest in the developing world, as well as improvement in human development, next only to China.

"How does one reconcile the country's poor image of governance with such remarkable achievements in economic and social development?" Prof Mahmud told a recent workshop on the prospects of foreign investment in Bangladesh held in Mumbai, India.

He said Bangladesh recorded the achievement since early 1990s despite international agencies' poor ratings in terms of its quality of governance, corruption, economic competitiveness and the general climate for doing business.

Tata Group of India organised the workshop attended by academics and business experts from India and abroad, according to a message received here on Wednesday.

The topics discussed in the

workshop included business environment in Bangladesh in an international perspective, the country's economic growth prospects, investment risks, and the bureaucratic culture of getting things done.

Prof Mahmud said the politics of confrontation and the mutual 'blame game' between the two major political parties create or exaggerate an external perception of economic and political fragility of Bangladesh.

"The political exploitation of the populist appeals of religion and the 'India factor' also creates wrong impressions about the actual policy agenda of the two major parties, neither of which actually favours religious fundamentalism or fails to see the benefits of cooperation with India."

He continued: "True, there are serious problems regarding corruption and bureaucratic hurdles, ports and infrastructures, hantals and the like. There needs to be improvements in all these areas."

"Yet, private investment has shown considerable dynamism, rising from around 10 percent of GDP to the current level of 17 to 18 percent during the past decade or so."

This is indicative of the presence of strong entrepreneurship that is

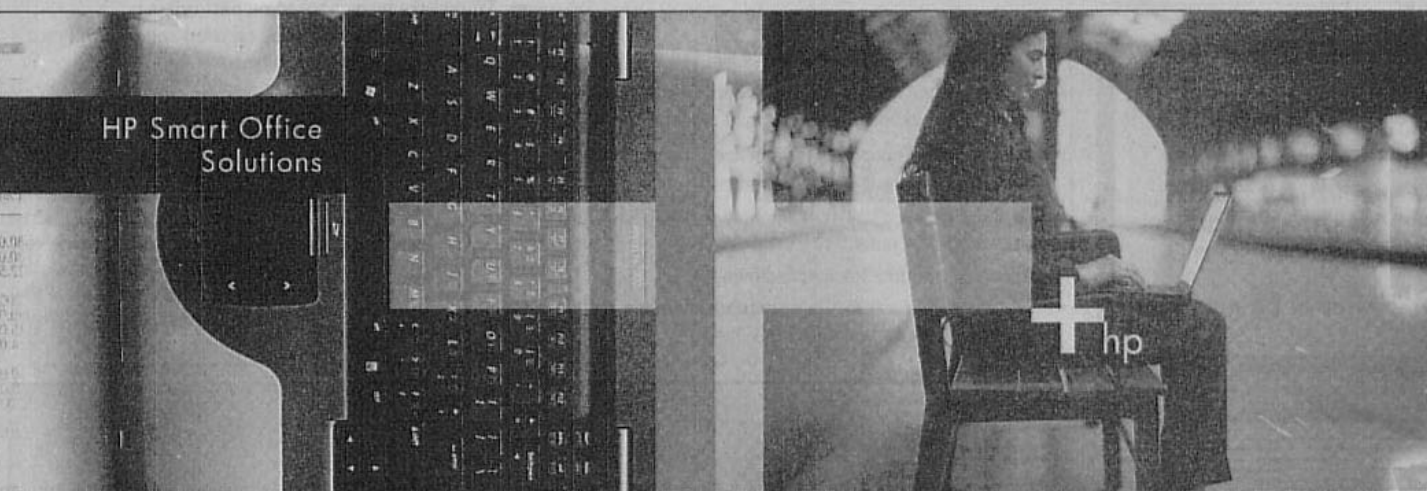
able to overcome the existing hurdles," said the economist. He added that the risk assessment by potential foreign investors depends on their familiarity of the business environment of a country and their capability of working in such an environment.

The policy regime regarding foreign investment in Bangladesh is one of the most liberal in this region, he told the workshop.

But the response of FDI has been rather limited and the investments that have taken place were confined to a limited number of sectors like gas exploration, electricity generation, telecommunications and garment production in the EPZs, he said.

Showing some prospective sectors for investment, he said manufacturing growth has been predominantly led by the export-oriented readymade garment sector, but there is potential for growth in other exports including horticultural products, leather goods, ceramics, pharmaceuticals and light engineering products.

He said Bangladesh should be able to take advantage of the provisions of EU, Canada, Australia and other industrialised countries for allowing duty-free access of exports form the least developed countries.



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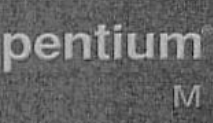


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