

Macroeconomy on track but challenges exist

Says Citigroup report on Bangladesh economy

STAR BUSINESS REPORT

A leading multinational corporate group in a report on Bangladesh economy said the country's macro-economic environment remains largely positive with the country meeting the challenge of the MFA phaseout relatively well, but challenges exist.

There have been progresses on the macro front, but Bangladesh continues to face challenges in sustaining steady growth acceleration which include sustaining export competitiveness, governance and the need to overcome several supply-side bottlenecks, specifically in the areas of infrastructure and financial-sector reforms, the report said.

The Citigroup in its biannual report released June 17 also said the proposed budget for the next fiscal year is pro-poor and growth oriented, but it is based on optimistic assumptions.

It also said although the impact of floods last year is likely to result in slightly lower GDP growth for FY05 (roughly 5.4 percent), trends in industry and services remain buoyant.

Inflation was a cause of concern after it touched a six-year high of 7.9 percent in October 2004 due to higher food and commodity prices, the report mentioned adding that it is now currently in the 5-6 percent range. However, oil and the recent pay revisions are key risks to the inflation outlook.

The report said interest rates

have edged higher due primarily to higher credit demand and the expansion in credit is attributed to greater import demand, particularly from the RMG sector for raw materials and capital equipment.

It added Bangladesh has made considerable improvements on the external front, with the current account posting a surplus for three consecutive years (FY02-04) due largely to healthy growth in invisibles.

The report said data for the last two quarters indicate despite relatively buoyant export growth (12.5 percent during July 04 to March 05), imports have risen more (19.6 percent), resulting in a rising trade deficit.

It said Bangladesh economy is largely consumption-driven, with key growth drivers for the economy

being improvements in agricultural productivity, strong export demand for readymade garments, steady flow of workers' remittances and healthy service-sector growth.

The report outlined the poor infrastructure and antiquated letter-of-credit system are hindrances to textile exports, and said if these, coupled with other glitches in the supply chain, are not improved, the country could continue to suffer from longer lead-times and poor profit margins.

The report recommended Bangladesh should overcome several supply-side bottlenecks, specifically in the areas of infrastructure and financial sector reforms, to ensure that its exports remain competitive.

Mobile phone operators urged to cut call tariffs

STAR BUSINESS REPORT

Bangladesh Telecom Babosayee Samity (BTBS) yesterday urged the mobile phone operators to cut call charges of mobile phones.

BTBS, an alliance of some 265 phone-fax shop owners and mobile phone dealers, also asked the government to withdraw all kinds of tariff and VAT on mobile phone sets and SIM cards.

"We call upon the mobile phone operators to totally remove charges on incoming calls and decrease call charges to boost the telecoms sector," M Ashrafuzzaman Prince, president of BTBS, said at the press conference in Dhaka.

Taxes on SIM cards and mobile phone sets are standing in the way of expanding mobile phone services to the general people, the BTBS president said.

Congratulating the recent reduction of tariff on mobile phone sets, he further urged the government to withdraw the existing tax of Tk 300 adding that it will diminish the smuggling of mobile phone sets into the country.

He called for total removal of taxes on SIM cards and mobile phone sets adding that the government can easily earn a lot from the taxes on call charges.

Group 4 starts sending local guards to UAE from June 27

STAR BUSINESS REPORT

A private security service company is going to start sending Bangladeshi security personnel to the United Arab Emirates on June 27.

In the first phase, 21 guards will leave Dhaka, officials of the company, Group 4 Securitas Bangladesh, a subsidiary of the London-based Group 4 Securicor, said yesterday.

The Group 4 will send 200 personnel in phases in the next six months. Bangladeshi personnel, who will be attached to the Group 4 UAE and work under its supervision,

will be sent free of charges.

Despite the fact that presently the Gulf and Middle East countries including the UAE show rigidity in immigration and security clearance for Bangladeshi personnel, "I am hopeful of sending" at least 500 people to those countries by 2006, said Managing Director of Group 4 Bangladesh Selim Chowdhury at a farewell to the guards.

"A dynamic role of the Bangladesh consulates in the countries concerned is very crucial in sending people abroad," Chowdhury said.

The Bangladeshi security per-

sonnel will get a very good working environment in the UAE where local private guards are not easily available, he said.

Acting British High Commissioner to Bangladesh Stephen J Bridges, addressing the function, said the Bangladeshi personnel will have to act as ambassadors to uphold the image not only of Bangladesh but also of Britain as members of a British company.

Each Bangladeshi guard will receive monthly salary amounting to 13,000 in Bangladeshi currency, free accommodation and transportation, said Group 4 officials.



Group 4 security guards are being introduced to Stephen J Bridges, the acting British high commissioner to Bangladesh, and Selim Chowdhury, managing director of Group 4 Securitas Bangladesh, at a farewell function in Dhaka yesterday. The private security service company is going to send the Bangladeshi guards to the United Arab Emirates from June 27.



New MD of Al-Arafah Islami Bank

Md Abdus Samad Sheikh has taken over as the managing director of Al-Arafah Islami Bank Ltd with effect from June 20, 2005.

Prior to this new assignment, he was the deputy managing director of the same bank, says a press release.

Obtaining his master's degree in accounting from Dhaka University in 1969, Samad started his banking career with the then State Bank of Pakistan. He was awarded with the Bangladesh Bank Gold Medal in 1976.

DHL donates computer servers to Ahsanullah University

DHL, the worldwide express and logistics company, has recently donated two computer servers to Ahsanullah University of Science and Technology, Dhaka.

The two HP UNIX 9000 series servers will be used in the varsity's IT lab and will enhance networking and application development activities in the university. Besides, the students will be benefited from working with high-end servers.

Desmond Quiah, country manager of DHL Express Bangladesh, handed over the servers to Dr MH Khan, vice chancellor of the university, at a function in Dhaka, says a press release.

Established in 1979, DHL Bangladesh operates 18 service/express centres located in commercially important places in the country.

Up tariff on imported fabrics

Textile millers ask govt

STAR BUSINESS REPORT

Local textile manufacturers yesterday urged the government to increase tariff on imported fabrics, especially Chinese textiles, as the low-cost Chinese fabrics imported through under-invoicing are about to grab the total local market.

Bangladesh Grey and Finished Fabrics Mills and Exporters Association (BGFFMEA) leaders also requested the government to reduce their long-term bank loan interest rate to 7 percent, provide a 15 percent cash incentive to the exporters and fix the interest rate at 2 percent on their generator import.

"If our demands are met, the government's revenue income will increase by four or five times as well as the illegal import of fabrics will drop out," said Harun-or-Rashid, BGFFMEA president, while addressing a press conference in Dhaka.

"If the government does not increase the tariff on imported textiles, local fabrics will not be able to compete with the imported fab-

rics, especially the Chinese ones," the BGFFMEA president said.

The association leaders called upon the government to raise the import duty from 15 percent to 25 percent or fix a specific import duty of Tk300 on per kg suiting fabrics.

They also demanded a 25 percent duty on imported shirting fabrics or a fixed Tk200 import duty on per kg fabrics.

They asked the government to form a high-powered 'task force' including NBR, FBCCI and BGFFMEA officials to check the under-invoicing import process.

Bangladeshi fabric manufacturers are not in good condition now, BGFFMEA president said adding that the merchants are rushing to China these days and booking containers loaded with low-cost fabrics, shirts and trousers from there.

"If the situation prevails, at least half of the specialised textiles and weaving mills in the country will have to be shut down within a year," Rashid, also a director of Federation

of Bangladesh Chambers of Commerce and Industry (FBCCI), said.

Fabrics and textiles imports from China increased by more than 65 percent in the first half of FY2004-05.

In FY2003-04, Bangladesh imported Chinese fabrics and textiles worth Tk1,538 crore while in July-December of FY2004-05, import from China amounted to Tk1,273 crore.

On the other hand, the BGFFMEA leader told the meeting that the local textile sector, having 356 large weaving mills, 1,200 power looms and 148,342 handlooms units, have the capacity to produce the total amount of fabrics required by the local markets.

Shah Rezaul Mahmud, secretary of BGFFMEA, and Alauddin Malik, president of Bangladesh Avhantarin Poshak Prostutkarak Malik Samity (local garments manufacturer owners association), were also present at the function.

StanChart, Cems to organise debit, credit cards fair in July

Standard Chartered Bank and Cems (Conference and Exhibition Management Services Ltd) will organise a fair of debit and credit cards, popularly called plastic money, in July.

M Sajidur Rahman, head (Consumer Banking) of Standard Chartered, and Shahid S Sarwar, director of Cems, have recently signed a memorandum of understanding (MoU) to this effect in Dhaka.

Objective of this first ever 'Cards Fair' is to raise awareness about making payments through credit and debit cards as well as to promote their usage. Leading trading houses accepting Visa/MasterCard will participate in the fair, says a press release.

Snow warns against punitive China trade actions

REUTERS, Washington

US Treasury Secretary John Snow said Tuesday that using punitive trade sanctions to compel China to modify its currency policy would be a mistake.

"I think anything that points in the way of closing down trade, interfering with trade, isolationism and protectionism, those are all the wrong way to go," Snow said in an interview on Bloomberg Television.

Snow said that when he appears on Thursday before the Senate Finance Committee with Federal Reserve Chairman Alan Greenspan, he will make those points, but it also was important that the Chinese "move to a flexible exchange rate."

The Senate hearing is to discuss US-China economic relations and is certain to focus on a bid to get China to modify its currency policy.

On Tuesday, a group of lawmakers proposed giving China 90 days to move toward flexible currency or face an across-the-board tariff on its US exports.



Harun-or-Rashid, president of the Bangladesh Grey and Finished Fabrics Mills and Exporters Association (BGFFMEA), speaks at a press conference in Dhaka yesterday to urge the government to increase tariff on imported fabrics.

Dhaka may get \$16m IDB assistance

Saifur leaves for Malaysia to attend IDB AGM

UNB, Dhaka

Finance and Planning Minister M Saifur Rahman left here Wednesday on a four-day visit to Malaysia during which he will attend the 30th annual general meeting (AGM) of Islamic Development Bank (IDB).

During his visit, Bangladesh is expected to sign two agreements with the IDB to receive around US\$ 16 million assistance-- US\$ 13 million for the fifth phase of the Sylhet Feeder Road and US\$ 3 million for health and population sector, officials said.

Besides the AGM, the minister will join an inter-trade workshop and have meetings with finance ministers of member countries of the Organisation of Islamic Conference

(OIC).

"I'm going to join the meeting despite budget discussions in parliament, considering it a sound and sustainable institution to support our development efforts," the minister told reporters at the Zia International Airport before his departure.

Saifur said the meeting will also discuss the possibilities of making a free trade zone among the OIC member states and co-operation in information and communication technology.

At the ZIA, the finance minister came across a group of Bangladeshi workers who were on way to Saudi Arabia and exchanged pleasantries with them.

The finance minister is expected to return home on Saturday.

72 NBR officials to get reward this year

STAR BUSINESS REPORT

The National Board of Revenue has decided to reward 72 officials this year for their outstanding performance in collecting revenue and detecting VAT evasion cases.

Of them, 12 are superintendents, 50 inspectors, one head assistant and one office assistant.

Alauddin Chowdhury, former member of the NBR, Azharul Haque, Shahnaz Parvin, Abdul Mannan Sikdar, additional commissioners, Fozia Begum, joint commissioner, Shawkat Hossen and Wahida Chowdhury, deputy commissioner, and Oliar Rahman, assistant commissioner, are among those in the BCS Customs, Excise and VAT officials who will be rewarded this year.

Among the selected officials,

Shahnaz Parvin will be awarded with more than Tk 5 lakh, the highest sum of reward, for her contribution to detecting 12 ill cases while Fozia Begum will get as high as Tk 1.33 lakh for her role in a single case.

Other officials will get reward ranging from Tk 5,000 to Tk 50,000 each.

Finance and Planning Minister M Saifur Rahman approved the names of the officials who will be rewarded early this week.

The Central Intelligence Cell (CIC) under the NBR will get Tk 35 lakh as award in recognition of its success in detecting tax evasion cases and giving a boost to the tax collection rate this year. The incentive to the CIC will be raised in the next fiscal year (2005-2006).

The CIC officials unearthed huge tax evasion cases involving Tk 700

crore in the outgoing fiscal year.

The government has an allocation of Tk 1.5 crore to award the tax officials for their outstanding performance this year and the amount will be increased to Tk 2 crore in the next financial year.

"The tax officials will prefer, let's say, Tk 20 in halal (lawful) income in the form of an award to Tk 40 in bribe for abetting the tax-dodgers," a high official of NBR said.

Donor agencies have been advocating increasing salary packages for the tax officials for long. However, according to NBR sources, there are some problems in increasing salary packages of the tax officials who showed outstanding performances. Instead, the good performers are given cash amount as reward.