Star BUSINESS

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POST-BUDGET MEETING WITH BUSINESS LEADERS

Adviser opposes long-term tariff protection for local industries

No amnesty to legalising undisclosed money after July 31: NBR

STAR BUSINESS REPORT

Responding to business leaders' demand for reconsidering the duty structure proposed in the next fiscal's budget, the finance and planning adviser yesterday said tariff protection could not be carried on for an indefinite period to guard the local industries.

"Continuation of tariff protection not only affects the national budget badly but also poses a negative impact on the local industries comprehensively," AB Mirza Azizul Islam told a post-budget discussion organised by the Federation of Bangladesh Chamber of Commerce and Industries (FBCCI).

The adviser said providing tariff protection for the local industries means that these are not competitive with international market. Moreover, with the tariff protection, the industries could not be converted to export-oriented ones, he added, citing an example that the countries like Thailand, Korea and Malaysia offered low duty and subsidy to their industries once, but now they cut down the facilities.

In the meeting, the adviser drew the business leaders' attention to the price spiral of essentials and raised a question about how prices of those soared even after lifting duties from some items.

"Why does the BDR (Bangladesh Riffles) interrupt in the market to control the price hike?" he questioned, urging the business leaders to check who are involved with such a price hike.

The adviser said there should not be any provision for giving tariff benefits through issuing Statutory Regulatory Order (SRO) after the budget is passed.

"Unfortunately, there is a tendency of giving duty benefits to the local industries through SRO, which increases ambiguity in the duty and customs policy. We have to come out of this tradition and enter into a strict duty and customs line," he opined.

On trade liberalisation, Mirza Aziz said any analysis finds it that economic growth has been accelerated for this. "Indian economic growth was three to 3.5 percent up to 1990 and the growth accelerated when Manmohon Sing liberalised their trade in 1991," he pointed out.

Talking about the tax-GDP ratio, he said the tax net has been widened in the proposed budget considering this ratio one of the lowest in the world.

"It is a common phenomenon that nobody wants to pay taxes. But two things are universal, one is 'tax' and another is 'death' and everybody should realise the truth," he said.

Commenting on rehabilitation of sick industries, Mirza Aziz said jute sector is his first priority. "However, we will conduct a survey to ascertain how far it is viable to rehabilitate all the sick industries and in what way the job should be done," he said, adding that it is impossible to run the industries providing subsidy.

"Lastly, I can say that we have to consider the interests of finished product importers, local manufacturers and customers," he said.

Later, the business leaders reiterated their call to the government to give a second thought on the proposed duties on raw materials and intermediate materials. They also advocated keeping intact the current duty structure in the next fiscal year's budget.

They said in the current budget the average incidence of 121 raw materials is 13.82 percent and in the next year the average incidence would be 21.77 percent, showing an increase of 7.94 percentage points.

Besides, they said, the average incidence of 291 raw materials is 21.81 percent in the current fiscal and the average incidence will be 25.99 percent in the next fiscal, thereby showing an increase of 4.18 percentage points.

They said supplementary duty reduction on around 219 goods from existing 25 percent to 20 percent would cast negative impact on agro-processing, electric lamp and light fittings, accumulator battery, footwear and cosmetics, float glass, ceramic, and sanitary and bathroom fittings industry.

Besides, the impact on bread and biscuit, soft drinks and candy industry would be negative due to supplementary duty cut on around 13 items from existing 65 percent to 60 percent in the proposed budget, they added.

"The enhancement of the duties on capital machinery or raw materials and reduction of duties on finished items will ultimately impact the local industry adversely," said FBCCI President Mir Nasir Hossain in his welcome speech.

UNB adds: Chairman of National Board of Revenue Badiur Rahman categorically said that the deadline for tax amnesty to legalise undisclosed money would not be extended beyond July 31.

He made it clear at the meeting that the revenue officials would not ask a single question when the taxpayers would come up to avail of the opportunity to legalise their undisclosed money. "You'll be treated as innocent as a baby within July 31," he said, assuring the taxpayers that they would not be harassed in any way.

Ctg-Sharjah flights of Air Arabia launched

STAFF CORRESPONDENT, Ctg

Air Arabia, a budget airline based in the United Arab Emirates, launched its operations in Bangladesh on Monday initially offering two weekly flights between Sharjah and Chittagong.

"We are very pleased to add Chittagong to our routes. It's a part of our commitment to offer value-for-money services to the region," said Kyle Haywood, commercial director of the airline, at a function when the inaugural flight from Sharjah arrived at Chittagong Shah Amanat International Airport with 137 passengers.

Bangladeshi Ambassador to UAE Nazimullah Chowdhury at the function said the airline, which is to fly on Mondays and Fridays now, would benefit the Bangladeshi expatriates in Middle East more when it will increase its flight frequency.

Rohit Ramachandran, regional manager of the carrier in India, Sri Lanka, Nepal and Afghanistan, said Air Arabia fares for Sharjah-Chittagong route range from Tk 5,555 to Tk 6,000, exclusive of taxes and surcharges.

"Our fare will be 30 percent to 40 percent lesser than that of other airlines," he added.

WB directors interview Zoellick today

AFP, Washington

The World Bank's executive directors late Monday invited former US trade chief Robert Zoellick, the sole candidate to head the poverty-fighting institution, for an interview on Wednesday.

US President George W. Bush last month picked Zoellick, 53, a former US trade representative and deputy secretary of state, to succeed bank Paul Wolfowitz, who was forced to resign in a favoritism scandal.

In a statement, the Bank's directors said they "have decided to invite the nominee to an informal meeting on June 20, to discuss key issues of interest to the World Bank Group, including the challenges of development, the World Bank Group's governance and leadership as well as future strategic directions."

The directors also said they had only received one nomination -- that of Zoellick -- by the June 15 deadline to replace Wolfowitz.

After the Wednesday meeting "and follow-up interactions and consultations with their respective authorities," the Bank directors "intend to meet again on June 25, 2007 to decide on the presidency of the Bank," the statement said

"They expect that all the required processes will be completed by June 30, 2007," it said.

Wolfowitz announced his resignation on May 17, under pressure from an internal probe that found he broke rules by arranging a lavish pay-and-promotion package for his companion, a bank employee.

He leaves office on June 30. Traditionally the United States picks the leader of the World Bank and European countries name the head of its sister institution, the International Monetary Fund.

Zoellick, currently a vice chairman at Wall Street investment bank Goldman Sachs, was the US Trade Representative from 2001 to 2005.

He played a major role in negotiating the entry of China and Taiwan into the World Trade Organization and the launch of the WTO's Doha Round of international trade negotiations.

RMG's duty-free issue taken up with Washington

Butenis tells FBCCI

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Outgoing United States Ambassador Patricia Butenis yesterday informed business leaders that she has taken up the duty- and quota-free access of Bangladeshi ready made garments (RMG) with authorities in Washington.

In a farewell meeting with the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) at its president's office, Butenis assured the apex business body that she would make all-out efforts to push through the proposal in Washington.

Revealing this at a press briefing after the meeting, FBCCI President Mir Nasir Hossain also quoted Butenis lauding Bangladeshi businessmen's role in the last few months.

"It is appreciated that not only did business leaders look after their own businesses, but also considered the national interest," Nasir said, quoting Butenis.

They discussed the current business and political conditions, Nasir said, adding, the current government's reform moves have solved many outstanding problems, such as port congestions, which will make the country's economic growth 'inevitable'.

PHOTO: FBCCI

Outgoing US Ambassador to Bangladesh Patricia Butenis (C) paid a farewell call on FBCCI President Mir Nasir Hossain at his office in Dhaka yesterday.

High-tech solutions on display as S'pore ICT show kicks off

NAFID IMRAN AHMED, from Singapore

Communic Asia 2007, the region's formative ICT exhibition and conference, kicked off yesterday in Singapore showcasing a wide range of cutting edge technologies and business solutions.

Over 2,400 companies from 65 countries are exhibiting their products focusing on latest digital technologies across mobile networks and applications, network infrastructure and satellite communications at the four-day event at the Singapore Expo.

A key highlight of the event is an innovative solution called Village Connection by Nokia Siemens Network (NSN), which helps build rural connectivity. The solution enables operators to reach remote villages, where a traditional technology and business model will not achieve profits.

Village Connection is based on a franchise business model between operators and local village entrepreneurs.

"An estimated two billion people live in approximately two million villages in emerging markets globally. While many villagers are in need of basic telephony-- to call doctors for instance -- the majority does not have access to the services," said Rajeev Suri, head of Asia-Pacific Region, NSN.

"While providing mobile connections can be a viable option for governments or operators in these communities, there is also a cost challenge as consumers can only spend two to three US dollars a month on communications. Through our Village Connection programme we hope to make mobile connections available to these markets at affordable costs for operators and consumers," added Suri.

Suri also said Bangladesh is one of the top four countries which has a high growth rate in the Asia Pacific region.

New IMF reform tackles currency manipulation

AFP, Washington

The International Monetary Fund has launched a new surveillance system on exchange-rate policies aimed at preventing a country from jeopardizing the health of the global economy.

The IMF said the major reform updates a 30-year-old program and targets currency manipulation that could destabilize trade and private capital flows.

However, IMF officials sidestepped questions about China, criticized for keeping its yuan currency undervalued in order to gain a competitive edge in exports.

The new legal framework for monitoring a country's program does not target any specific country, but provides a level playing field for all its 185 members by being clearer and broader in scope, IMF officials insisted.

"It reaffirms that surveillance should be focused on our core mandate, namely promoting countries' external stability," IMF managing director Rodrigo Rato said Monday, according to the prepared text of a speech he delivered in Montreal, Canada.

"And it gives clear guidance to our members on how they should run their exchange-rate policies, on what is acceptable to the international community, and what is not."

Perhaps the most delicate issue of exchange-rate policy revolves around the claim of some US lawmakers that China is keeping its yuan currency undervalued to gain an unfair competitive edge.

The US trade gap with China ballooned to 232.5 billion dollars in 2006.

Last week the US Treasury declined to label China a currency manipulator, saying that although its tightly controlled exchange rates have spawned a host of economic problems, it was unable to determine that Beijing intentionally left the yuan undervalued.

Oil prices ease

AFP, Singapore

Oil prices eased in Asian trade Tuesday on profit-taking after hitting their highest levels since early September 2006 overnight, dealers said.

The easier tone is however likely to be temporary as factors that drove the market higher, such as concerns over US gasoline (petrol) reserves and geopolitical tensions in the Middle East, remain, they said.

At 2:25 pm (0625 GMT), New York's main contract, light sweet crude for July delivery, was down 15 cents to 68.94 US dollars a barrel from 69.09 dollars in late US trades Monday when it had jumped as much as 1.09 dollars.

Brent North Sea crude for July dropped 18 cents to 72.00 dollars.

Dealers said continued concerns about US demand for gasoline during the current peak summer driving season drove oil prices higher overnight and remained supportive.

FMO, StanChart sign deal with 3 banks on trade facility

Netherlands Development Finance Company (FMO) and Standard Chartered Bank (SCB) Bangladesh have recently signed an agreement on Bangladesh Trade Enhancement Facility (BDTEF) with 3 local private banks -- Bank Asia Ltd, One Bank Ltd and Mercantile Bank Ltd, says a press release.

With this trade enhancement facility, FMO partly guarantees the confirmation by SCB for letters of credit issued by the participating local private banks in Bangladesh. The banks already participating under this agreement are Dhaka Bank Ltd, Dutch-Bangla Bank Ltd, Prime Bank Ltd and Southeast Bank Ltd.

Managing directors and other senior officials of the participating banks, SCB, and FMO representatives were present at the signing ceremony.

The agreement on BDTEF was first signed by SCB with FMO in February 2001. BDTEF is also bringing in hosts of training and development programmes under the sponsorship of FMO and SCB. As continuation of these efforts, FMO and SCB organised an asset and liability management training course from June 03 - 07, 2007 in Dhaka. Ziegfried Vermaak, CEO of SIMARCH NV of Belgium, conducted the course for senior executives of six participating banks under the BDTEF.

PHOTO: STANDARD CHARTERED

Netherlands Development Finance Company (FMO) and Standard Chartered Bank (SCB) Bangladesh have recently signed an agreement on Bangladesh Trade Enhancement Facility (BDTEF) with 3 local private banks -- Bank Asia Ltd, One Bank Ltd and Mercantile Bank Ltd. Senior officials of the participating banks, SCB, and FMO representatives were present at the signing ceremony in Dhaka.

Tariff proposals to hurt local industries

Roundtable told

STAR BUSINESS REPORT

The tariff proposals in the proposed budget will benefit importers and put export- oriented domestic industries into trouble, speakers told a roundtable yesterday in Dhaka.

They said the proposed tariff structure as a whole will badly affect the investment flow in the country.

Bangladesh Heritage Foundation and Bangladesh Institute of Law and International Affairs (Bilia) organised the roundtable on 'Bangladesh Budget 2007-08: Strategic Implication and Economic Development'.

"The proposed budget indicates that we are going to rely on an import-based economy," said economist Dr Atiur Rahman.

He further noted although the finance adviser vowed to reduce import dependency earlier, the proposed tariff structure does not reflect his pledge.

Wali-ur-Rahman, president of Bangladesh Heritage Foundation and director of Bilia, said the overall the budget is not balanced, although it is prepared with good intention.

"We understand 57 percent of the total expenditure will be for poverty eradication, but our calculations find only 9 percent of the allocated money will actually reach the target population," he said.

He said, "We believe it was a wrong decision to increase the price of diesel."

Annisul Huq, former president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said the cost of setting up of new factory will go up by 30 percent if the tariff proposals are implemented.

So, the budget is not good at all for the domestic industries, he added.

Abdul Matlub Ahmad, chairman of Nitol Group, suggested fixation of maximum retail prices of most essential commodities by the government so that prices cannot be manipulated.

S Korea agrees to re-negotiate FTA with US

AFP, Seoul

South Korea Tuesday accepted a US demand that it re-negotiate a hard-won free trade deal to reflect Washington's new trade policy guidelines but vowed not to give anything away.

The US side wants changes to the deal reached on April 2 after Congress and the White House agreed in May on a bipartisan accord that sets social and environmental standards for such agreements.

"After reviewing ... the US proposal, the government decided to hold additional talks," the finance and economy ministry said in a statement.

"The government will maintain the balance of the existing negotiation outcomes under whatever circumstances and actively explain new developments to people and parliament."

Foreign Minister Song Min-Soon Tuesday warned that Seoul would hang tough.

PHOTO: HSBC

Opex Group Chairman and former BGMEA president Anisur Rahman Sinha and HSBC Bangladesh CEO Steve Banner inaugurate a customer service centre (CSC) of the bank at Gulshan 2 in Dhaka recently. The CSC that houses ATM and Easy Pay machine will remain open from 9am to 10pm.

Temasek to sell three power generating companies

AFP, Singapore

Singapore's state-linked investment firm Temasek Holdings said Tuesday it plans to sell all three power generating companies under its stable in the next 12 to 18 months.

Wong Kim Yin, Temasek managing director of investments, said the decision to divest its interest from PowerSeraya, Senoko Power and Tuas Power is part of efforts to liberalise the affluent city-state's electricity market.

No value was given for the companies, but Wong said in a statement there has been "a lot of interest from potential buyers since last year."

Temasek expects the divestment process to start in the second half of this year and be completed by end 2008 or early 2009.