

International Business News

HSBC cuts 450 jobs in HK

AFP, Hong Kong

Global banking giant HSBC said Monday it has cut 450 staff in Hong Kong in anticipation of a deteriorating global economy next year.

All the affected staff had been notified of the news by Monday night, a spokeswoman for the bank's Hong Kong operations told AFP.

"Because of the uncertainties ahead and the deteriorating external economy, we have to be cautious of the operating environment next year," she said.

"Under the circumstances, we had to make a review."

The spokeswoman refused to give a breakdown on the job cuts and added that the bank would try to help affected staff through internal redeployment where possible.

But an internal memo sent to staff from the company's executive director Peter Wong on Monday described the redundancies as "across all customer groups and some bank office functions," according to Dow Jones Newswires.

A spokesman for the Hong Kong Banking Employees Association said he was concerned that the layoffs would encourage other banks to follow suit, broadcaster TVB reported.

IMF wants \$100b more

AFP, Paris

The International Monetary Fund needs 100 billion more dollars (79 billion euros) over the next six months to cope with increased demand, its chief said in an interview aired Monday.

"The number of countries having problems at the same time has dramatically increased and they come to the IMF asking for support. So we need more resources," the fund's head Dominique Strauss-Kahn told the BBC.

"The question is to be able to face the problem in six months from now, and I think all the heads of state and government are aware of the need for a strong IMF," he said.

Countries should also do more to tackle the economic crisis, Strauss-Kahn said, notably by cutting interest rates and using government finances.

"In some parts of the world -- Japan, the United States -- interest rates have been cut very much, but it can be done more aggressively in other parts," he said, suggesting the European Central Bank, in particular, should consider such a cut.

Although the ECB lowered its interest rates earlier this month to 3.25 percent, critics fault it for being slow to cut its rates.



AFP

Chinese gather at a job fair for college graduates in Xian, northern China's Shaanxi province on Sunday. China's labour minister warned the economic slowdown will make it difficult to create jobs, in a signal that unemployment remains one of Beijing's top priorities, as by the end of September the number of registered jobless in Chinese cities was 8.3 million.

Eurozone trade deficit narrows

AFP, Brussels

The 15-nation eurozone saw its trade gap with the rest of the world narrow in September, but the performance pales when compared to the surplus registered in the same month last year, official figures showed Monday.

The first estimate figure showed a deficit of 5.6 billion euros (7.1 billion dollars), much better than the revised 9.4 billion deficit recorded in August and but falling short of analysts' predictions of a 5.0-billion-euro shortfall according to Dow Jones newswires.

In September 2007, before the global financial and economic crises, the 15 nations sharing the euro currency enjoyed an exterior trade surplus of 2.9 billion euros.

Eurozone exports rose by 2.2 percent in September to reach 137.1 billion euros while imports also rose, by 2.1 percent to 142.7 billion euros.

For the 27-nation European Union as a whole the deficit in September, according to the first estimate, stood at 23.0 billion euros, smaller than the August figure of 27.5 billion.

KfW posts loss of 1.8b euros

AFP, Berlin

The German state-owned development bank KfW has recorded a loss of 1.8 billion euros (2.26 billion dollars) for the first nine months of the year, a statement said on Monday.

KfW was stuck by the international financial crisis, which forced it to aid stricken business lender IKB, in which KfW owned a majority stake it sold in August to US private equity group Lone Star for 150 million euros.

The IKB bail-out cost KfW 1.1 billion euros, while devaluations of its asset portfolio cost another 1.6 billion, the statement said.

IKB, which was also exposed to losses in connection with the crisis in Iceland, made a serious blunder in mid-September, paying US investment bank Lehman Brothers 319 million euros the same day it declared bankruptcy.

INVESTMENT

The quiet entrepreneur

SAYEDA AKTER

Fourteen years ago, when Tahera Begum first started Arju Iron Store in Bogra, it was quite impossible to convince her family that she could succeed in business.

"Initially it was very difficult trying to juggle everything at work, from handling workers, accumulating raw materials, to dealing with customer inquiries," says Tahera, DCCI Best Woman Entrepreneur 2008 awardee. "But it was not impossible."

"Furthermore, the conservative society was most unsupportive of women involved in entrepreneurship," she adds.

Overcoming all hurdles, Tahera now successfully runs a light engineering workshop and maintains steady growth by producing quality machinery, such as rice mills, shallow tube-wells, shallow irrigation machines, bolts and iron moulds, spare parts for paper mills and bus engine plates and pistons.

The Dhaka Chamber of Commerce and Industry (DCCI) had awarded her extraordinary performance in successfully running a small and medium enterprise, at the chamber's golden jubilee celebrations.

Tahera was awarded the 'Best Woman Entrepreneur' award while two others were awarded the 'Best Innovative Entrepreneur' and the 'Best Non-Resident Bangladeshi Entrepreneur' awards.

In a telephone interview with The Daily Star, Tahera expresses

her excitement over the award. She remembers the time she had started business and such an award was not even a dream.

"My husband, who was a day labourer in a mortar workshop, earned very little and we struggled to make ends meet for our family of seven," Tahera says. "My circumstances led me to start a business of my own, just to meet day-to-day expenses."

"In 1994, my husband and I started producing small iron moulds with mortared and crushed iron ore at home, selling our produce in the local market," she says.

In 1995, Tahera started her tiny workshop on Sultangani Road in Bogra, with a handful of employees and an investment of Tk 1,700, which she had saved up for future.

Tahera says her workshop grew gradually, lacking proper investment in the early years. This is because she put the needs of her family before the workshop.

"I did not take any bank loans because the interest rates were too high and repayment options were strict," she says.

However, Tahera took a loan of Tk 50,000 from the Thengamara Mohila Sabuj Sangha (TMSS), a local NGO.

The first big order she took in was in 2000, which was for manufacturing engine covers for shallow irrigation machines and tube-wells.

It was all hazy after that. Her business grew rapidly and the annual turnover of Arju Iron Store now stands at Tk 50 lakh and employs 25 permanent workers, where the majority are



Tahera Begum

women. She also hires temporary workers on the basis of work order volume.

Tahera says her success is driven by her 'yes attitude'.

"Whenever new clients come to me and ask whether I can make something, my answer must always be yes," she says.

"My team is also eager to meet clients' demand."

However, problems are still on her trail, as Tahera faces a dearth of funds and limited access to better markets.

"I don't have adequate machineries of my own, so I have to go to other factories to

outsource," she says. She only possesses a lathe and drilling and welding machines, used in the primary stages of mortaring iron ore.

"Outsourcing costs me rent and additional charges, which eats up profits," she says. "If I had adequate machinery, my production would have increased at least four times by this time."

Another problem Arju Iron Store faces is the distance from the capital, where most customers live and do business. "The majority of her clients are all situated in the northern part of the country. My business would flourish if I had access to customers situated in and around the capital."

"Buyers are limited and I cannot bargain for a lot," Tahera says. "Often I have to sell products at a low rate only to manage capital for completing successive orders."

Tahera plans to spend her prize money buying some essential machinery, such as mixture machines for her workshop.

Currently she basks in her glory as many people come to her for advice regarding setting up businesses of their own. Local women are also quite enthusiastic about small business ventures. Many more are now keen to work for her workshop and gain expertise.

Tahera now dreams of setting up a factory of her own, which will be fully equipped with modern machinery. Tahera also plans to recruit a large number of destitute women in her factory.

sayedata@thedailystar.net

COLUMN

MAMUN RASHID

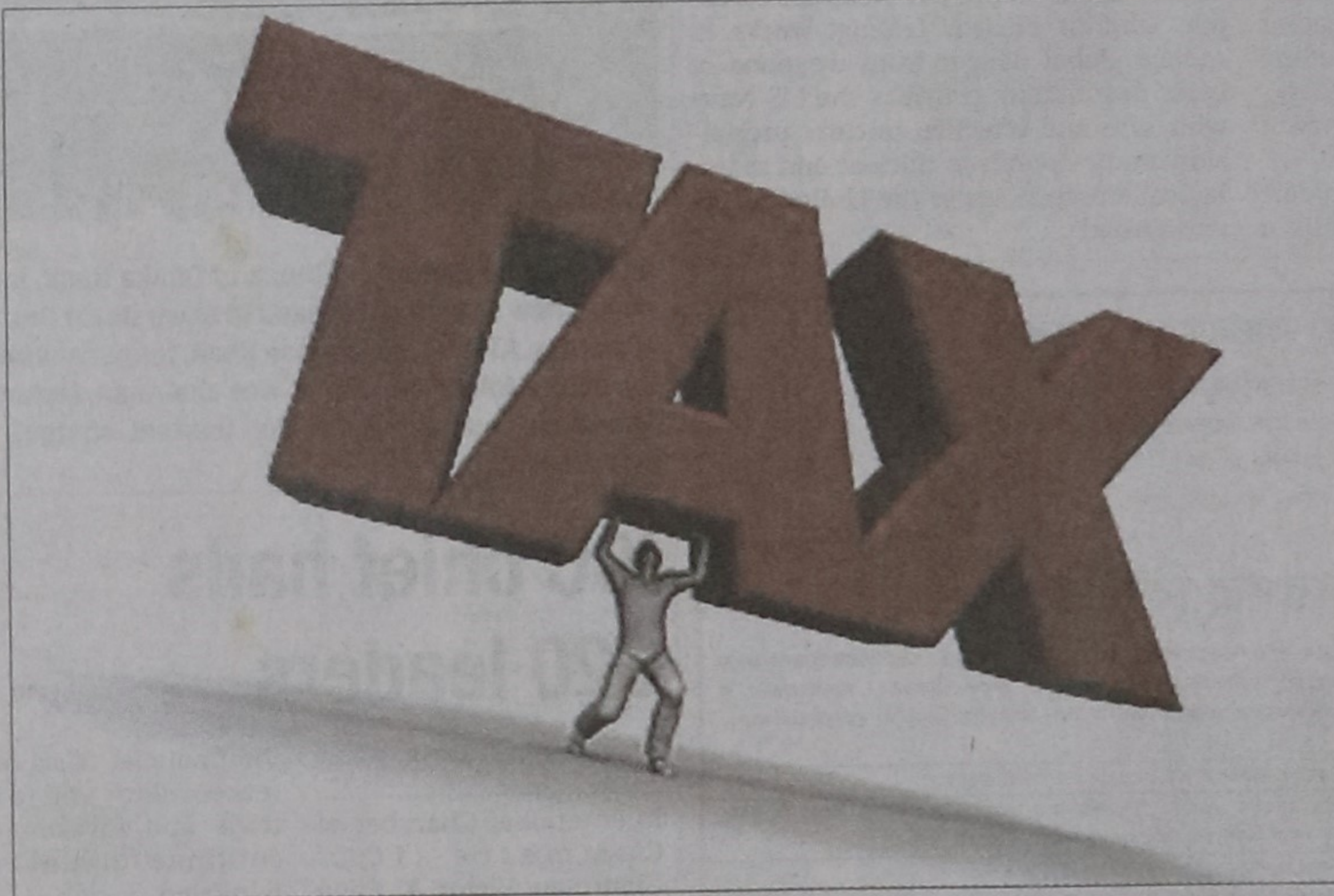
Reforming the revenue administration

Bangladesh is expected to be a Middle Income Country (MIC) by 2021, if not earlier. The country is also, so far, on track to achieving millennium development goals (MDGs) by 2015, which aims to reduce poverty and improve human development indicators. While we all are thinking of growing bigger and taking measures for developing our country, have we given a hard look on the financing aspect of the growth? How will we be able to finance growth? What are the ways of financing growth?

Along with ensuring enough depth in the financial sector, corporate governance, discipline in public expenditures, broadening the tax net and enhancing country's tax-GDP ratio can be the most prudent way of financing our country's growth. We have to reallocate the wealth from the surplus streams to the hungry streams of the economy and need to create a sustainable model, which will ensure the strong momentum of tax revenue collection. If we cannot accumulate required financing from the surplus stream through direct taxation then are there really any other viable alternatives left?

In fiscal 2008, the National Board of Revenue (NBR) earned Tk 21 billion more in tax revenue than its targeted amount. This was a unique performance on the part of the tax collectors since our independence. However, given their performance level until the recent past, it is hard to give full credit to the tax people for this 'excellence'. The fear factor that originated from massive and anti-tax dodging drives under the ongoing emergency rule, no doubt, played an important role in collection of larger tax revenues, especially income taxes. The less-than-expected collection of income tax revenue from normal taxpayers and holders of untaxed legal money, until September this fiscal year, support this finding. With some relaxation of emergency rules, looking at the upcoming national election, the fear factor is found to be less intense than in the past.

There is no denying that a



sustained increase in the number of taxpayers and tax earnings can only be ensured under an efficient tax administration. Unfortunately, Bangladesh is yet to achieve that objective, despite some sporadic attempts made to beef up the efficiency level of the tax collectors at the initiatives of the development partners.

In 2002 a reform project called Reforms in the Revenue Administration (RIRA) was introduced with the aim of building a transparent, efficient and effective tax administration. Financed by the UK government, the RIRA project has been assisting the NBR and works mainly with the Large Taxpayer's Units and the Central Intelligence Cell (CIC).

On the other hand, the World Bank (WB), back in 2004, came up with a over Tk 4.5 billion project, styled Revenue Administration Modernisation Project (RAMP), with the objectives of bringing about major structural changes in the tax administration, simplifying revenue collection procedures and developing human resources. But the immediate past government dragged its feet and postponed a final decision on the project. The present

interim administration, for reasons best known to them, has also been displaying a sort of lukewarm attitude towards the project. Media report said the launching of the project is likely to be further delayed since the authorities concerned would like to examine the contents of the project more closely.

Traditionally, almost every tier of Bangladesh administration is averse to reforms that usually hurt the vested interests. Tax administration is no exception. The level of laxity and indolence, for reasons not unknown to many, among taxmen is quite high. It is not unlikely that a section of tax officials are opposing the RAMP to safeguard their own interests.

The Chittagong Customs House Automation project, which was recently launched by the Chief Adviser, carries enough example of strong opposition to reforms by the taxmen. When the project was initiated to replace the obsolete 'direct traders input (DTI)' with the ICT-based automation system, the Customs authority, allegedly, posted out the officials involved with automation. But as the Chittagong Chamber expressed its willingness to be a partner in the auto-

mation project and the government high-ups approved this, the opposition subsided. The project has now got off the ground.

In Bangladesh, the tax-GDP ratio is one of the lowest among the emerging economies. However, we have to admit that during last twelve years there has been significant improvement in revenue collection. In 1996, total tax revenue of the government was only Tk 20 billion, which has improved to Tk 473 billion in 2008. The key driver of the tax revenue is indirect taxes such as value added taxes (VAT) and customs duty, which constitutes around seventy five percent of total tax revenue. In the fiscal 2009 revenue budget, government targets to collect Tk 545 billion as tax revenue, out of which around Tk 225 billion will be from customs duty and Tk 184 billion from VAT. Of the rest Tk 136 billion, Tk 130.5 billion will come from income taxes, which is only 24 percent of the total tax revenue and the rest Tk 5.55 billion from other taxes.

There is still much 'opportunity space' available to improve the collection of income taxes. We have already seen improvements in tax collection in the last

fiscal year. In fiscal 2008, the total collection of income tax was Tk 120 billion. This large improvement, as mentioned, resulted primarily from the robust anti-corruption drive of the caretaker government and the scope of regularising undeclared income by paying penal taxes.

Recently, NBR Chairman Muhammad Abdul Mazid said that in Bangladesh about 15 million people have the ability to submit their tax returns, of which at least 10 million people are capable of paying taxes. According to Bangladesh Bureau of Statistics (BBS), at least 10 million people in Bangladesh earn more than the tax exemption limit. The number of people submitting tax returns is still less than 1 million. A huge number of people were exempted from paying taxes for several years in the past mainly because of a structural weakness of the tax department, poor infrastructure and technological expertise, lack of systematic data collection, etc.

We have to admit that there is no alternative to reforming the tax administration if we want to broaden the tax net. This is an imperative for generating more revenue domestically, particularly when the global aid climate is becoming increasingly tight and would be tighter in the face of the global financial crisis. There is an apprehension that the momentum of the tax revenue growth may dry up after transition into political regime.

Hence, it is crucial to have political commitment to augment the tax collection. For example, during the caretaker government, Bangladesh first observed 'National Tax Day' on September 15. The next political government similarly needs to create a 'taxpayer friendly' atmosphere and make the people aware of the importance of paying taxes. More importantly, they have to withdraw all barriers and take all out actions for the timely collection of taxes.

The writer is a banker and economic analyst and can be reached at mamun1960@gmail.com