FBCCI proposes tax cuts to tackle global recession fallout

STAR BUSINESS REPORT

The apex trade body FBCCI yesterday proposed a tax cut to create a congenial business atmosphere for an efficient tackling of the fallout from the ongoing global recession.

"The income should be tax-free and unquestionable if anybody goes for setting up any industrial plant, modernisation and extension of industries, payment of industrial loan and investment in capital market," Annisul Huq, president of the Federation of Bangladesh Chambers of Commerce and Industry, told a pre-budget discussion in Dhaka yesterday.

Held at the Federation Bhaban, it was attended by Muhammad Abdul Mazid, chairman of the National Board of Revenue (NBR) as chief guest.

The FBBCI chief said the country needs big investment for employment generation to offset the adverse impacts of the global crisis.

Terming the upcoming national budget for the 2009-10 fiscal year as the most difficult challenge for the government because of the recession, Huq proposed one percent duty on the imports of capital machinery/basic raw materials and 5.0 percent duty for intermediate raw materials, 12 percent for intermediate and basic commodities and 25 percent for luxury goods.

Huq also proposed for continuation of zero tariff on the imports of foodstuff, cotton, medicine and fertiliser in the next budget.

STAR

FBCCI President Annisul Huq speaks at a pre-budget discussion in Dhaka yesterday, while NBR Chairman Muhammad Abdul Mazid looks on.

Businessmen, chamber leaders, MPs and industrialists from different sectors were present on the occasion.

The FBCCI leader also proposed a specific duty on the imports of some raw materials like metal products and chemicals, mainly used for industrial purposes.

He proposed continuation of the package system in VAT payment.

Huq also sought an increase in the ceiling of capital base from Tk 1.5 million to Tk 2.5 million and turnover tax base from Tk 2.4 million to Tk 5.0 million for investing in plants, machinery and equipment.

"The NBR should encourage the businessmen for using the Electronic Cash Registrar (ECR) so that the taxes can be collected efficiently," Huq said.

He proposed fixing the tax-free personal income ceiling at Tk 200,000 from the existing Tk165,000.

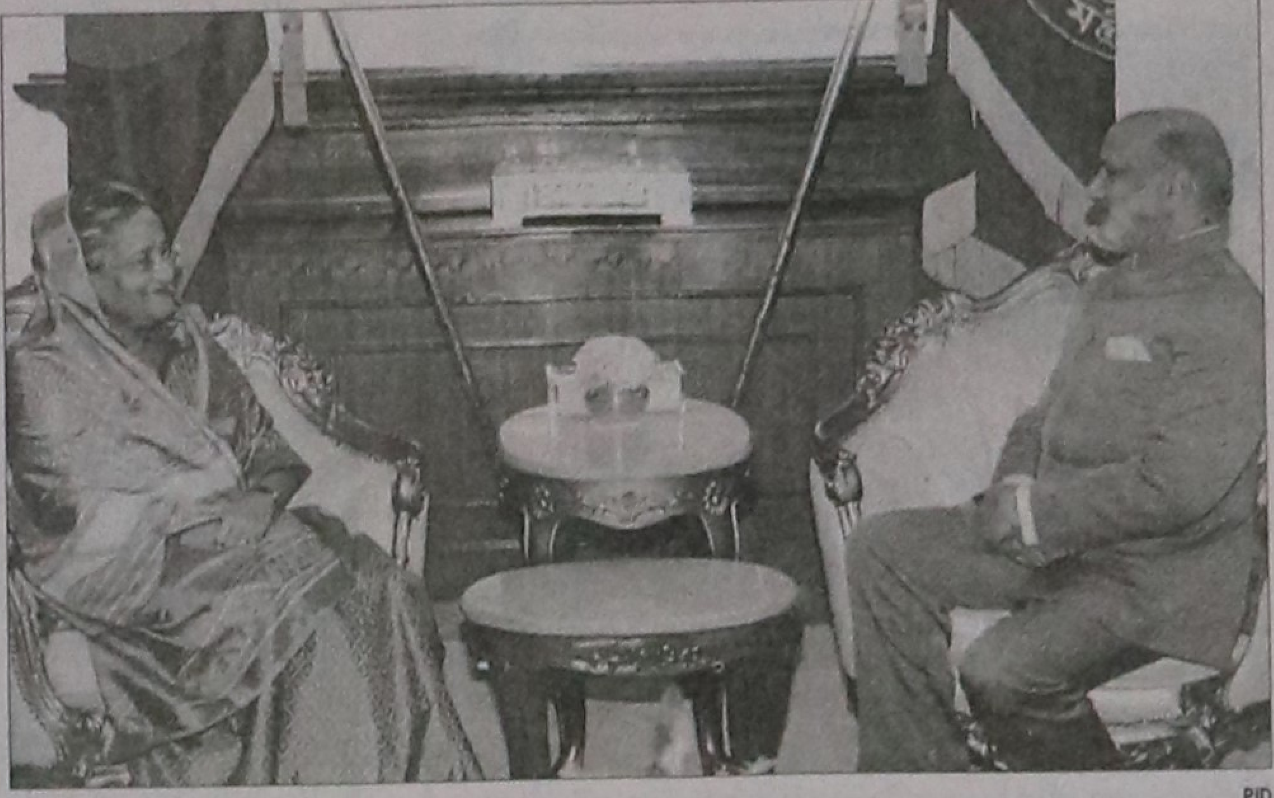
Fearing a worst recession impact on the national economy, Mazid said the government would try to formulate a business-friendly budget for the next fiscal year.

"Many things would be readjusted in the next budget," the NBR chief assured the businessmen, adding that the protection of interests of the local industries would be prioritised.

Earlier, editors of the national dailies and electronic media in a meeting with the NBR urged the top tax collector for introducing a hassle-free tax payment system.

They said if it is needed for legalising the undisclosed money, the NBR should take penalty taxes, otherwise it would be unjust to the real taxpayers.

Moazzem Hossain, editor of The Financial Express, Matiur Rahman Chowdhury, editor of the daily Manabjamin, Faridur Reza Sagor, managing director of Channel i, Enayetur Rahman, managing director of Ntv, and Mahfuz Anam, editor of The Daily Star, were present among others.



PID

Executive Director of International Monetary Fund Adarsh Kishore calls on Prime Minister Sheikh Hasina at her office yesterday. (Story on page 1)

WB promises to ease impact of financial crisis

UNB, *Dhaka*

World Bank Country Director Xian Zhu yesterday assured the government of its cooperation in facing the global economic downswing and protecting the poorest from its impacts.

"We're ready to help Bangladesh tackle this crisis ... we'll provide financial support, if needed," the WB country director said when he met Planning Minister AK Khandker at his office.

Replying to a question after the meeting, Xian Zhu told reporters that the WB would help Bangladesh formulate plans and policies apart from procurement as it believes in 'united efforts' to bring success in any project.

"We suggested improvement of the annual development programme (ADP) and its fullest implementation," the WB country director said.

He thinks successful and quick implementation of ADP might help Bangladesh overcome the global financial crisis and it will create a positive impact on employment generation and alleviating poverty.

"We're actually monitoring the situation and we discussed how we can help Bangladesh minimise the risks arising out of the global financial crisis," he said.

He emphasised protection of the poorest section of the country from the blow of this crisis and suggested steps for employment generation.

Replying to another question he said, the impacts of the global financial crisis on Bangladesh are 'limited'. "However, we're ready to provide all kinds of cooperation to mitigate the crisis."

He favoured to work jointly with developed and developing nations to tackle the financial meltdown.

Director of the World Bank on Operational and Quality Services for South Asia Region Barbara Kafka was also present at the meeting.

Earlier, the minister discussed various issues, including poverty alleviation, millennium development goals, Perspective Plan 2021, Public Procurement Reforms Project-II and Strengthening of Central Procurement Technical Unit.

The Planning Minister said the government is implementing development programmes, aiming to alleviate poverty and achieve the millennium development goals.

He hoped Bangladesh would be able to achieve the millennium development goal by 2015.

Dhaka keen to shore up agro-trade with Bangkok

UNB, *Dhaka*

Food and Disaster Management Minister Dr Mohammad Abdur Razzak yesterday said Bangladesh is interested to strengthen agricultural trade and its marketing system with Thailand.

"If the bilateral relations between the two countries get strengthened in this sector, the relations in other areas would also get a boost," he told Thai Ambassador Chalermpol Thanchitt and FAO Representative Ad Spijkers when they met him at his office.

Terming Thailand as a trusted friend, the food minister thanked Thai government's support for Bangladesh's development.

During the meeting, they discussed different aspects of the 20th Conference of FAO to be held on March 26-31 in Bangkok.

Nigeria fixes maximum rates

AFP, *Abuja*

Nigeria's banks have agreed to put a ceiling on deposit and lending rates in a bid to curb rises brought about by the global economic meltdown, the central bank chief said Monday.

Charles Soludo, governor of the Central Bank of Nigeria (CBN) said it was decided at a Monday meeting with chief executive officers of the country's 24 banks.

Execute Basel II accord to guard against financial risks

BB deputy governor asks NBFIs

STAR BUSINESS REPORT

Leasing and finance companies have to implement Basel II accord to guard against the financial and operational risks they face, suggested Bangladesh Bank Deputy Governor Murshid Kuli Khan yesterday.

"A committee has been formed to work on how the accord can be implemented," Khan told a seminar on 'Prospects and Problems of Financial Institutions,' organised by the Bangladesh Leasing and Finance Companies Association (BLFCA) at Dhaka Sheraton Hotel.

Basel II is an accord agreed and signed by many nations to ensure capital and risk management in financial institutions. Currently, banks have obligations to execute the accord.

Basel II uses a 'three-pillar' concept -- minimum capital requirements (addressing risk), supervisory review and market discipline to promote greater stability in the financial system.

BLFCA Chairman Anis A Khan and Vice Chairman Mafizuddin Sarker also spoke on the occasion.

Non-bank financial institutions (NBFIs) have been playing an important role in mobilising funds for the economy.

Presently, 29 NBFIs are in operation in Bangladesh. Of these, one is government-owned, 15 from the local private sector, while the rest 13 are joint ventures.

Out of the total institutions 22 are specialised in lease and long term financing and two in house financing.

Up to June 2007, the total investment by the financial institutions was Tk 9,197 crore, according to a Bangladesh Bank report. The investment was Tk 7,314 crore in June 2006.

The central bank deputy governor asked the leasing companies to diversify their products by utilising the talents they have.

Murshid Kuli Khan believes the leasing companies have bright growth prospects. In this context, he also stressed changing people's perception on such companies.

Anis A Khan said, "We are not badly affected by the ongoing global financial meltdown, thanks to the central bank's proper regulations for the NBFIs."

Some senior officials attending the seminar demanded initial and normal depreciation on leased asset.

BLFCA

Murshid Kuli Khan, deputy governor of Bangladesh Bank, receives a crest from Anis A Khan, chairman of Bangladesh Leasing and Finance Companies Association at a seminar on Prospects and Problems of Financial Institutions, organised by the association in Dhaka yesterday.

Half-measures not enough for world economy: Trade unions

AFP, *Paris*

Trade unions across the world are to present to their governments on Monday a five-point plan for action at the G20 London summit on the global financial crisis next month, their confederation said.

The union plan calls for "a coordinated international recovery and sustainable growth plan to create jobs and ensure public investment," as well as nationalisation of insolvent banks and a new international framework for managing the global economy.

"If the G20 governments in London are only able to agree on half-measures, they will have failed to meet their responsibilities," International Trade Union Confederation (ITUC) General Secretary Guy Ryder said in a statement.

"As the world's largest economies, they have the responsibility and the possibility to replace the failed neo-liberalism of the past with a whole new direction for globalisation," he added.

The plan, which will be formally submitted to the G20 Leaders' Summit in London on April 2, also calls for action to combat the risk of wage deflation and reverse decades of increasing inequality, as well as far-reaching action on climate change.

The trade unions also put forward specific proposals for global financial regulation, with immediate action to nationalise insolvent banks.

Summit Alliance plans to acquire Ocean Containers

STAR BUSINESS REPORT

Summit Alliance Port Limited plans to acquire an inland container depot and freight station of Ocean Containers Limited for Tk 27.91 crore, according to the Dhaka Stock Exchange website.

The takeover bid is however subject to approval from shareholders in the extraordinary general meeting (EGM) under the Companies Act, 1994 and consent of the Securities and Exchange Commission.

Summit Alliance that also operates an inland container depot will acquire 2,37,99,945 shares with Tk 10 each of Ocean Containers, by exchanging each Summit Alliance share for 8.53 Ocean Container shares.

The decision was taken by the Board of Directors of Summit Alliance Port, a joint venture of Summit Group and Alliance Holdings.

The EGM will be held on April 27.

Ocean Containers, an entity of Summit Group, is a pioneer in the inland container depot and freight stations and the largest privately owned land container port in Bangladesh, according to the Summit Group website.

Japan sees low business confidence

AFP, *Tokyo*

Business confidence among top Japanese executives has slumped to its lowest level in at least five years as the economic crisis batters corporate profits, a government survey showed Monday.

The gloomy snapshot of Japan Inc. showed that companies plan to slash their investment to weather the country's worst economic crisis since World War II.

Sentiment among large Japanese firms slumped to minus 51.3 points in the first quarter of 2009, down from minus 35.7 three months earlier, according to a joint survey by the finance ministry and the cabinet office.

Economic woes weigh on Asia

ASIA NEWS NETWORK

When written in Chinese, the word 'crisis' is represented by two key characters: one represents danger and the other represents opportunity. Whilst Asia will remain best placed globally to take advantage of any potential upswing in fundamentals, the near term outlook remains desolate. The financial crisis has now unravelled into an economic crisis that it caused; and Asia gives the best evidence.

Asian banks did not, as a rule, purchase or invest in substantial toxic debt or subprime products. Leverage was readily available. And yet, the region will not remain unscathed from the ongoing crisis.

The global economy, now supported at its core by the overextended US consumer, finds itself stalling, susceptible to any number of potential external shocks. Ultimately, the economic malaise created by this convergence of events will take years to unwind. Also, geopolitical events become volatile in a world of economic insecurity, leading to political upheaval and protectionism. A positive outcome to this process is dependent wholly on liquidation of excess credit and consumption.

In Asia, the prospect of sluggish growth and depleting consumer confidence now debunks any notion of 'decoupling' from the United States. In fact, more and more, 2009 is seeing a 'recoupling' of Asian dynamics with the global economy, underlying similar economic traits of the West. Whilst governments in the region advocate that Asia is well-placed to withstand financial instability, the risks of a deeper downturn are intensifying.

In its economic evolutionary process, the boom bust cycles in Asia have been unprecedented in terms of volatility in the prices of commodities, currencies, real estate and stocks.

Although all global crises have been different, in terms of its impact on Asia, many have shared common features. They begin with capital inflows from foreigners swayed by tales of economic enchantment. This generates low real interest rates and a widening current account deficit.

As a result, domestic borrowing and spending surge, particularly investment in property. Asset prices soar, borrowing increases and the capital inflow grows. Finally, a correction occurs, capital floods out and the banking system is burdened with debt.

With variations, this story has been repeated time and again. It has been particularly common in emerging economies. But it is also familiar to those who have followed the US economy in the last eight years.

The case for a much more resilient Asia this time round has been conditional on strong domestic demand, and room for policy maneouvering to expand consumption and spending. But Asian countries are mostly net producers, while the US is a net consumer. A reduction in global demand means a reduction in global supply.

The credit crisis and the ensuing tidal wave of economic recession have triggered reduced global demand. With this, Asia could potentially bear the brunt of the problem through reduced global supply.

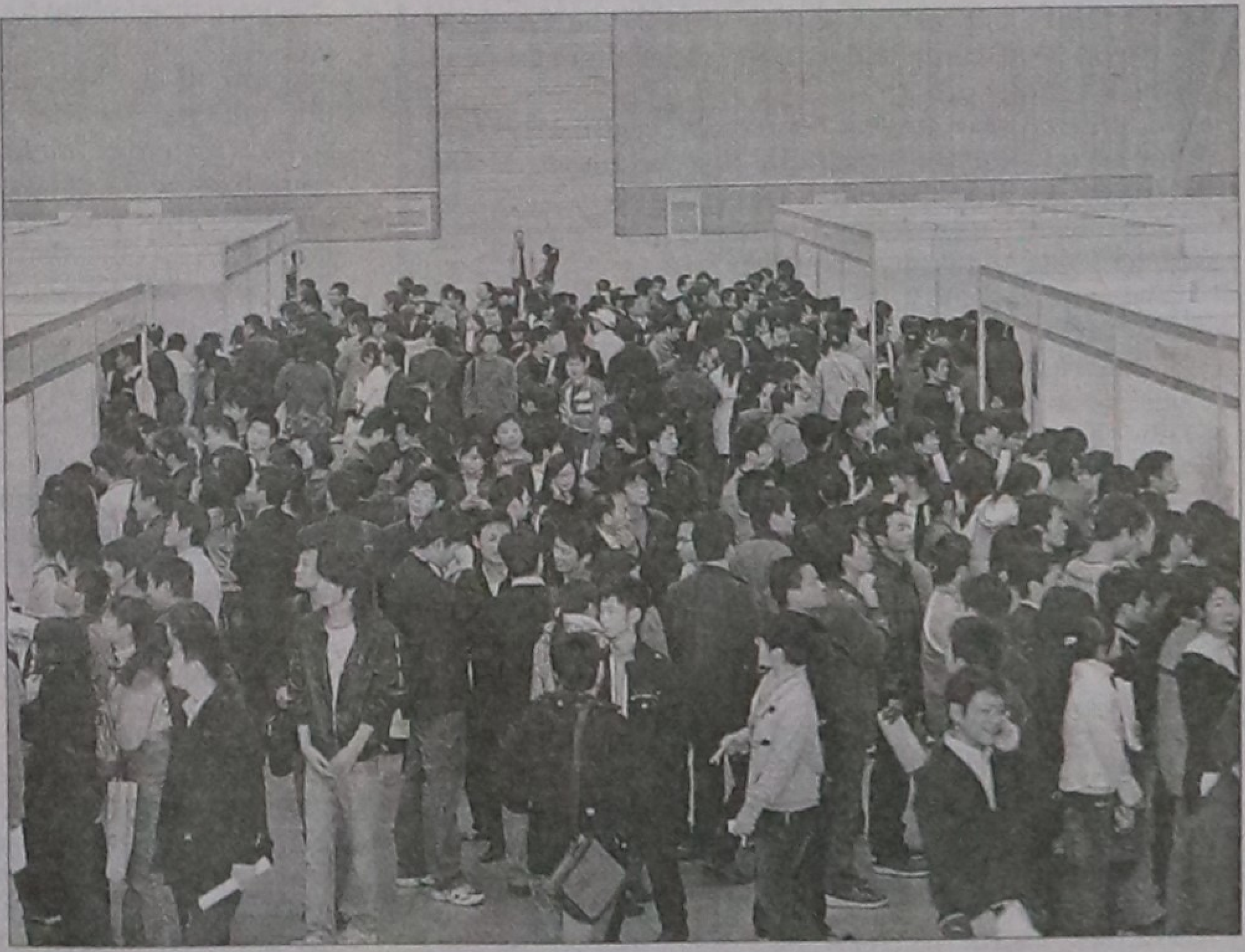
The US, as a consequence of the crisis, is currently undergoing a period of seismic economic adjustment in which consumption and investment relative to GDP are crash landing, and as a result, savings will increase (over time). This, in the long run will imply a reduction in the US current account deficit and, hence, a reduction in Asian current accounts and trade surpluses (read: reduction in exports).

Given that China is the US's second-largest importer and the country with which the US has the largest bilateral trade deficit with, China - the bastion of Asia's economic hope - is likely to bear a large part of the adjustment.

Other export driven economies like Taiwan, South Korea and Malaysia will see varying degrees of this adjustment impact trade and growth. The danger is that with the combination of external shocks, a fall in asset and commodity prices and demand shrinking, the Asian consumer is not able on its own to spend its way out of the crisis.

Faced with the daunting prospect of dismal growth, Asian economies have no other choice: with demand shrinking in Western markets, either domestic demand must compensate, or supply must shrink. Reflating domestic demand will mean entire export industries will have to turn inward and serve domestic sectors - a process that will take decades given that Asian industries are 'intermediate' in nature. Above all, domestic demand cannot replace export demand given the relatively low per capital income in most of emerging Asia.

The key to a recovery lies with government intervention. Asia needs to spend its way out of a crisis. While no singular government spending will fill the gap to reflate an economy, a concerted effort by Asian governments to get fiscal, and collectively, may work. Policy measures have thus far been domestically driven and reactionary.



AFP

Job seekers gather a job fair in Hefei, central China's Anhui province recently. China's government would earmark 42 billion yuan for the creation of new jobs at a time when an estimated 20 million workers have been made unemployed due to the crisis.

A more coordinated effort within the region in disseminating fiscal spending and its target sector will serve to boost confidence especially through fiscal measures that offer the prospect of resuscitating growth and disposable incomes. Close scrutiny will show that most crisis situations are either opportunities to advance, or stay stagnant. As such, the prospect for a collective Asian voice is now more pressing than ever.

The global economy is more than the sum of its parts - and so policy direction becomes crucial. It's near impossible to predict whether policymakers will succeed in preventing the recession turning into a prolonged economic calamity, and lay the foundations for a sustainable recovery.

But what we can predict with near certainty is that policy will matter a great deal in 2009.