International Business News

AFP

(From left) Hans-Peter Keitel, president of the German Federal Association of Industry (BDI), Guido Westerwelle, German foreign minister and vice-chancellor, Angela Merkel, German chancellor, and Michael Sommer, head of Germany's trade union federation (DGB), address a press conference in front of the government guest house Meseberg Palace, some 70 kilometres north of Berlin on Friday. Angela Merkel met ministers, business leaders and union outside Berlin to hammer out ways to get her eight-month-old second term back on track.

G20 must strengthen economic recovery: Obama

AFP, *Washington*

US President Barack Obama has urged the world's leading economies to boost reforms aimed at maintaining the global recovery, ahead of two key summits next week.

"We worked exceptionally hard to restore growth; we cannot falter or lose strength now," Obama said in a letter to G20 leaders ahead of a June 26-27 summit in Toronto.

"Our highest priority in Toronto must be to safeguard and strengthen the recovery," Obama stressed in the letter dated June 16, but released Friday amid concerns about the pace of global recovery.

The summit follows a meeting of G8 leaders on June 25 and comes after months of worry about the health of the eurozone, fueled by Greece's huge public debt and concerns over the solvency of countries like Portugal and Spain.

Danone joins forces with Russia's Unimilk

AFP, *Paris*

French food giant Danone and Russia's Unimilk announced on Friday they were combining their fresh milk interests in Russia, Ukraine, Belarus and Kazakhstan.

Danone, the world number one in milk products, will hold 57.5 percent of the new entity, with Unimilk shareholders taking the remainder.

No value was put on the deal which will be done by way of a contribution of assets and Danone buying shares in the new company, Danone-Unimilk.

The venture should have annual sales of about 1.5 billion euros (1.86 billion euros) with a market share of 21 percent.

Danone and Unimilk said their two businesses were very complementary and there would be significant synergies on sales and cost in the new company.

China central bank to further promote currency reform

AFP, *Beijing*

China's central bank said yesterday it would further promote reform of its exchange rate mechanism.

"China's central bank has decided to further promote the reform in the RMB (yuan) exchange rate mechanism, and strengthen the flexibility of the RMB exchange rate," the bank said on its website.

The statement was released amid growing pressure on Beijing to strengthen its currency and comes ahead of the G20 nations meeting in Toronto next week, where the controversial exchange rate policy is expected to be on the agenda.

However, the central bank said there were no grounds for "large swings or change" in the exchange rate and reiterated that it will continue to manage the floating exchange rate "within the band already announced".

Italian banks criticise bank tax plan

AFP, *Milan*

The association representing Italian banks on Friday criticised an EU plan to introduce bank levies, saying the measure might tighten credit for families and businesses and hurt the economy as a whole.

Taxes on banks would "reduce resources the system has so far guaranteed for families and businesses" in Italy, said the association in a statement.

"A new tax would further burden banks and the entire economy," it added.

At a summit in Brussels on Thursday the 27 EU heads of state and government agreed to introduce bank taxes that could fund future bailouts in the wake of Europe's debt crisis, though they were short on details.

INTERVIEW

FBCCI should have more clout

Outgoing president shares his successes and failures with The Daily Star

JASIM UDDIN KHAN

The Federation of Bangladesh Chambers of Commerce and Industry (FBBCI) has bagged success in building infrastructure and capacity for different chambers and associations across the country, says the outgoing president of the apex trade body.

The FBCCI could also influence the government in making some of the national policies, says Annisul Huq.

He admits some failures. He says he could not form a strong research cell for the Federation, bring a corporate culture within it, and make it fully free from the government influence, although these were his visions.

Huq says the FBCCI should cut all its dependence on the government.

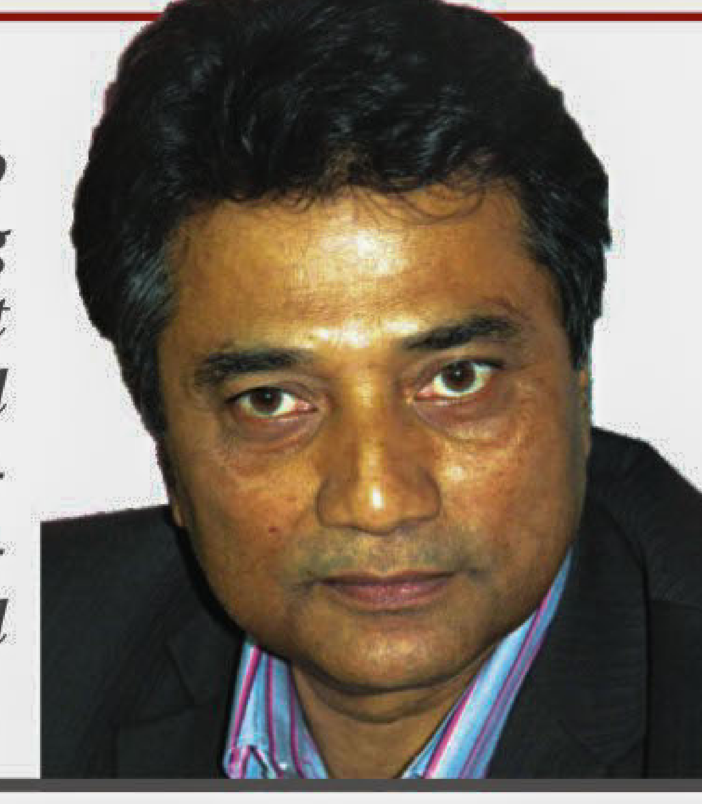
He was elected the president of the trade body on March 19, 2008 and led it during a volatile political situation under a caretaker government regime then.

"All the governments in Bangladesh history have tried to keep control on the apex trade body which have both positive and negative impacts on the business community. A business leader with strong political affiliation may not raise his voice strongly against his party interest," Huq says.

The business community should develop a true leadership so it can become a massive institution and can bargain with political forces irrespective of party affiliation, he says.

Huq admits that although he launched an initiative to strengthen the FBCCI research cell as an independent think tank, he failed due to a lack of financial support.

> *It was my vision to develop a strong research cell at FBCCI to help build a trade and investment friendly country, but I have failed*



"I frankly admit that although it was my vision to develop a strong research cell at the FBCCI to help businesspeople and, as a whole, to help build a trade and investment friendly country, I have failed."

This should be the top priority of the upcoming leadership, so the research cell can work as a shadow think tank with the government policymakers.

Huq says the FBCCI during his tenure was successful in generating innovative ideas for the government such as for public-private partnership (PPP) projects and launching bonds.

The government took into consideration some of the FBCCI recommendations for the PPP projects, and for launching investment and infrastructure bonds, he says.

Huq says the FBCCI has helped make 41 chamber buildings, bought 28 new plots for associations, and constructed 31 new buildings and renovated 12 across the country.

The FBCCI has also bought a 14-katha land for its planned new site and strengthened capacity through generating income, he says.

It has provided furniture to 28 chambers, computer, UPS, photocopiers and scanners to associations and helped those generate income, according to Huq.

The government for the first time has presented its success and failure after the first hundred days in power as suggested by the FBCCI, he says.

"We had prepared a 60-page roadmap for the new government before the election. The document of the roadmap was handed over to both the BNP and Awami League in front of the media. And many of the recommendations are being considered by the present government."

Huq says the FBCCI for the first time has taken a move to recruit consultants to help it develop negotiation skills, put input to the budget, tax reforms, and facilitate export-import trade.

But the move failed and Huq blames it on a lack of dynamism in the FBCCI system.

He says the chamber also failed in an employment-generating programme launched across the country. The local government representatives did not help properly, he says.

Huq says he had a plan to make the FBCCI as a strong corporate management so it can inherit its capacity amid the biennial change in its board.

He stresses a more accountable board of the trade body.

"We showed how the board could be accountable. I spent around Tk 43 crore during my tenure and explained how we spent the money. This should be a culture of the FBCCI in future."

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COLUMN

The budget makers' dilemma

HABIBULLAH N KARIM

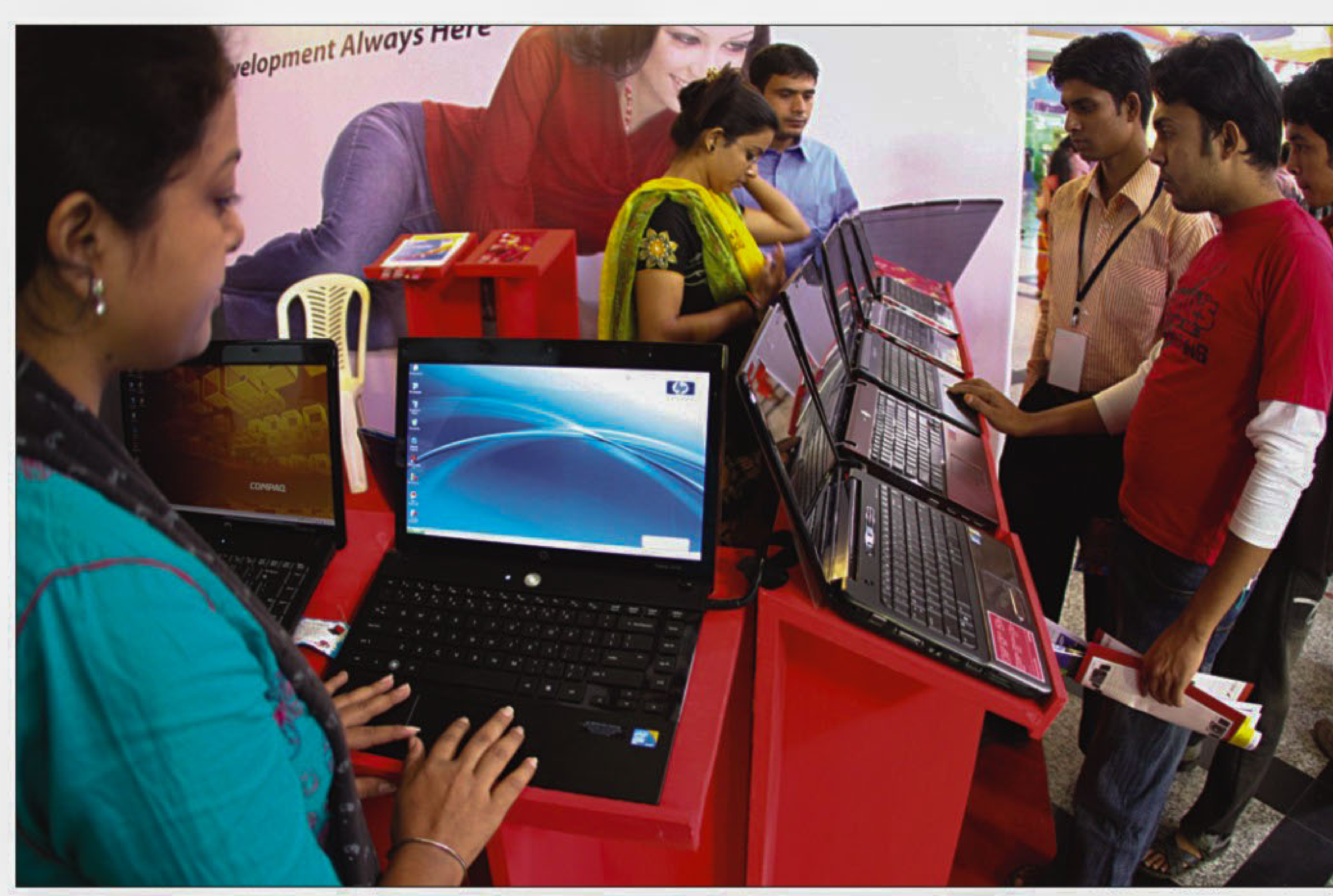
The national budget exercise is an annual chore that takes up almost one-sixth of a full year's productive labour of the finance and planning ministries and related government agencies. No doubt it is a costly endeavour but one that no government apparatus can do without.

On the one hand, the budget gives legitimacy to all public expenditure and so without an approved budget nothing can be spent from the exchequer including salaries of the public officials and staff. On the other hand, the budget is a roadmap for the government's plan of actions, for setting national priorities and for long-term goals and vision. From both angles, predictability, continuity and consistency are the seminal attributes of any budget. When viewed from this perspective, the national budgets of the last twenty years get high grades in general (give or take a few lapses in judgment).

However, this year the budget gets specially high marks for a few other attributes such as consolidating the figures of thematically related ministries/divisions under subheads for a clearer picture of where the money is going and secondly keeping the changes within the boundaries of policy directions shared with the public through dialogues with trade bodies and civic organisations and thus not springing any last-minute surprises. And of course, the PowerPoint presentation of the budget in the parliament house and publishing the budget online simultaneously were very nice touches as well.

Now beyond these qualitative feelers once you get into the details of the budgetary figures and allocations -- there also you will find continuity, incremental growth in both appropriations and tax-nets and mostly no surprises. That is why I was a bit put off by the stock phrases such as "too ambitious" or "high deficit" uttered by various quarters who are presumably more conversant about budgetary affairs than a lay-person such as myself. First, let us take the total budgetary figure of Tk 1.32 trillion (Tk 1,32,170 crore). That is Tk 220 billion more than the current year's revised budget figure of Tk 1.10 trillion, which coincidentally is exactly Tk 220 billion more than the actual expenditure accounts of the previous year (2008-2009). Then how is this budget over-ambitious? That certainly goes begging.

On the matter of deficits we have had manageable deficits in all our previous budgets since the early nineties. This budget is no exception. In absolute terms of course there is an increase in deficit but as a percentage of the total budgetary outlay and as a share of GDP (gross domestic product), the deficit has remained pretty much the same.



SK ENAMUL HAQ

The government should push the ICT agenda to a new level in order to be closer to the funding stipulations of the latest ICT policy approved in July last year, say analysts.

One area that was also termed ambitious is the 34 percent increase in annual development programme (ADP). But then again if one looks at the actual accounts of the previous year then the increase is about the same. No surprise is there as well. The development emphasis on energy, communication and local government sectors were expected and are quite rational. On the other hand, the overarching emphasis on education, rural development and agriculture in the revenue budget is again quite anti-contrarian and in line with the broad social development goals of the nation.

Thus far I have not talked about any lacunae or misplaced exigencies in the budget and a columnist's job is never done until some thorns in a bouquet, no matter how beautiful, are pointed out. In that vein let me assure my readers that I found quite a few gaffes that the budget could have avoided. The most notable is the lack of significant increase in ICT allocations despite the 'Digital Bangladesh' thrust and vision of the government. This is one area where the government needed to depart from the regimen of consistency and push the ICT agenda to a new level in order to be closer to the funding stipulations of the latest ICT policy approved in July last year. The anemic increment of 12 percent from Tk 100 crore to Tk 112 crore for ICT development is even below the average growth of the budgetary outlay.

I can only hope the government will correct this oversight in the revised budget. Another area where a bold decision fell short of expectations is bringing the stockmarket earnings under the tax-net. While the institutional investors have been brought to the book, individual investors have been spared. This is one of the great idiosyncrasies of our tax policy that a small 'paanwala' (one who hawks betel leaf) earning more than Tk 165,000 a year has to pay taxes but the super-rich individuals making filthy profits from stock trading are exempted from tax. Of course there is a resurgence, these days, of small investors as well who are enticed by the profiteering of big-money players and get hooked on to this 'poor-man's gambling in a rich man's house'. Our country is ostensibly the only country I know of where stock-trading income is not taxed. If the government does not want to startle the stock trading community all of a sudden then it can start with a small tax, say 5 percent and then gradually bring all stock-trading income, just like any other trading income, under the ambit of regular tax laws.

On the whole I congratulate the government and the wise and elderly finance minister for presenting a bold budget. I hope the government will be even bolder in its execution.

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