# Ctg businesses cry for decentralisation

STAR

Workers handle cargo containers at the Chittagong port, which businessmen say, could be an asset of the nation, if properly managed.

*Businesses here now feel the need for urgent decentralisation of power to cash in on the benefits of a globalised world and growing regional connectivity. They also expressed such concerns at the two-day economic conference organised jointly by The Daily Star and Chittagong Chamber*

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LAST year, a Chittagong-based steel mill owner urgently needed to hire an engineer from India to repair a sophisticated piece of machinery.

He applied for a work permit to Board of Investment's (BoI) office in Chittagong. After three days, he was asked to send the papers to the BoI headquarters in Dhaka.

The mill's production was off for a week and the owner had to count huge losses.

In January, a young man decided to get an export licence. However, he had to make several trips to Dhaka for that.

A chemicals importer has to visit Dhaka to get permission from the Department of Explosives for every shipment.

The Department of Shipping that deals with oceangoing vessels is located in Dhaka although 80 percent of in- and outbound ships in the country are Chittagong centric.

The hassles of businesses in Chittagong do not end here. Their biggest problem is with the port, which, if managed properly, could become the biggest asset of the country.

Although the port is autonomous on papers, authorities are unable to recruit even an entry level employee. From recruitment to purchase of an equipment and maintenance, the port authorities have to take permission from the ministry concerned in Dhaka.

"It was more difficult to get a permission to hire an engineer from abroad than setting up an industry of Tk 200 crore," said the steel mill owner.

Three years ago, he could obtain the permission from Chittagong. But now he has to approach the BoI's Dhaka office. Engineers capable of understanding engineering devices or PLCs (programmable logic controllers) are not available in Bangladesh.

At a time, when the world is moving fast and becoming more and more decentralised, Bangladesh is only moving towards centralisation. Chittagong-based importers, exporters and industrialists say they have to visit Dhaka more frequently than before.

The centralisation of power, economy and urban development is also evident in Dhaka. People from different parts of the country flock to Dhaka everyday for job and business related matters, medical treatment and amusement. Analysts say this excessive centralisation has not only been making Dhaka vulnerable but also has been depriving other regions of the country from steady economic growth since 1990s.

"Export processing zones officials have to go to Dhaka for every decision. Senior Chittagong Port officials visit the shipping ministry frequently, for even minor reasons," said Mahfuzul Hoque Shah, director of Chittagong Chamber of Commerce and Industry.

"The port is autonomous on papers only, it cannot take any decision."

Sultan Mahmud, a retired chief engineer of Chittagong Port, said he fears the centralisation of power in Dhaka.

He joined the port in 1965 and had looked after port management since the Pakistan regime.

"During the Pakistan regime, the Department of Shipping was located in Karachi and the ministry concerned was in Islamabad. But I never saw port chairmen visit the then West Pakistan more than twice a year," Mahmud recalled.

He said, at that time, telephones were not so available. Till 1976, the port was managed by a board of trustees comprising private sector stakeholders, he added.

Businesses here now feel the need for urgent decentralisation of power to cash in on the benefits of a globalised world and growing regional connectivity. They also expressed such concerns at the two-day economic conference organised jointly by The Daily Star and Chittagong Chamber.

"Decentralisation has become an urgent matter as our economy is rising," said M Nasir Uddin, chairman and managing director of Pacific Jeans, a premier garment exporter in Chittagong.

"Regulatory bodies should be decentralised with more authority," he said.

Dr Hasan Mahmud, environment and forest minister and a lawmaker from Chittagong, said a Dhaka-centric attitude is depriving Chittagong.

Entrepreneurs set up factories in Gazipur and up to Mymensingh, but they are not interested in Chittagong, where the port is located, he added.

The minister said Dhaka centrism started three decades ago and it is currently at its peak. He blamed makeshift plans for the situation.

"Our biggest weakness is we do not make long-term plans. We forecast only over the next 5-7 years and undertake projects in that manner," he said.

Chittagong Port Authority Chairman Md Nizamuddin said activities of the port have increased significantly over the years.

As a result, officials of the port need to visit the capital for various reasons such as attending ministry-level and standing committee meetings, he said.

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# India sours for foreign investors

AFP, *New Delhi*

BUSINESS consultant Adrian Mutton says it takes courage for a foreign corporation to make a big-ticket investment in India given the uncertainties thrown up by capricious twists in government policy.

Companies have long griped about India's byzantine rules and suffocating bureaucracy but recent policy flip-flops have further soured the investor mood.

"You have got to be a pretty brave CEO to gamble on a major investment decision in India especially if you think that decision may be overturned," says Mutton, who heads India-based Sannam S4, a consultancy which helps firms enter India.

The latest, and for many investors most egregious government measure, was announced in last month's budget which included provisions allowing India to tax foreign takeovers retroactively to 1962.

The plan seeks to override an Indian Supreme Court judgement in January that rejected a $2.2-billion tax bill slapped on British phone giant Vodafone over its 2007 purchase of a local operator.

"The Indian government is perhaps hoping the country's economic growth potential will retain companies like Vodafone," Deepak Lalwani, chief of India-focused investment consultancy Lalcap, said.


AFP

Indian pedestrians stand outside a Vodafone store in New Delhi. The latest, and for many investors most egregious government measure, was announced in last month's budget which included provisions allowing India to tax foreign takeovers retroactively to 1962.

"But fresh capital will be fearful of the business and investment climate and will be hesitant to come," Lalwani told AFP, cautioning that poor investor sentiment "may dramatically slow future foreign capital".

Already, gross foreign direct investment in India has fallen by a quarter to $20.3 billion in the fiscal year ended March, down from $27.1 billion in the previous year, according to official figures.

In a letter to Premier Manmohan Singh earlier this month, seven global business groups, including the Confederation of British Industry and the US Business Roundtable, warned of a "widespread reconsideration of the costs and benefits of investing in India."

The investment slowdown comes as India urgently needs foreign funds to upgrade its dilapidated airports, roads, ports and other infrastructure in order to ease bottlenecks and spur growth.

Economic expansion for the last fiscal year is estimated at just 6.9 percent, the second slowest rate in a decade.

The retroactive change to India's tax code was only the latest piece of news to dismay foreign investors, already preoccupied by policy paralysis on reforms to liberalise the economy and corruption.

The investment plans of Norwegian telecom giant Telenor and other foreign firms who had jumped into the world's second-largest mobile market were left in tatters earlier this year when the Supreme Court cancelled their licences.

The court's move stemmed from a scandal in which the government had issued mobile licences in 2008 at throw-away prices, costing the public treasury up to $39 billion, in what is believed to be India's biggest graft case.

The licence cancellation "was a shock for the foreign operators, especially as this was a ruling on a government policy decision," Kamlesh Bhatia, India research director at global consultancy Gartner, said.

And last December, in a major U-turn, the government reversed a decision to allow foreign supermarkets into India after a key ruling coalition ally said the move could hurt millions of small shopkeepers in the country.

"The reform process has really just fallen apart," Manjeet Kripalani, head of Gateway House: Indian Council on Global Relations, told AFP.

Further discouragement has come from a slew of stalled projects, including South Korean steelmaker POSCO's plans to build a $12-billion steel mill -- first announced in 2005 and trumpeted as India's biggest foreign investment deal.

Late last month, an Indian tribunal suspended environmental clearance for the plant, keeping the project in limbo.

Still, says Mutton of Sannam S4, many global companies have little choice but to enter the increasingly affluent country of 1.2 billion people if they want to boost revenues in light of the slowdown in developed economies.

"You can't afford not to be in India as a marketplace when you look at the huge population," says Mutton, whose India advisory business has tripled in size in the past few years.

"In boardrooms around the world, people are saying if we are going to deliver growth, where do we go? India inevitably comes up. They may know it will be a pain in the backside -- but they have to make the best of the situation."