

Ticfa to reduce Bangladesh's bargaining power: analysts

STAR BUSINESS REPORT

The country stands to lose its bargaining power in international forums by signing the Trade and Investment Cooperation Forum Agreement (Ticfa) with the US, analysts said yesterday.

"Bangladesh wouldn't be able to independently make trade and investment policies as the US will coerce it to support their global strategy if the deal is signed," said MM Akash, a professor of economics at Dhaka University.

He spoke at seminar on "Ticfa Agreement and National Interest" organised by Communist Party of Bangladesh (CPB) and Bangladesh Samajtantrik Dal (BSD) at the capital's Mukti Bhaban yesterday.

Though the proposed deal is designed for deeper bilateral trade links between the two countries, it has failed to specify the time frame by which the US would relax the higher duty structure for

the country's main export—readymade garment.

At present, Bangladeshi garment products are slapped with a 15.3 percent duty upon entry to the US market, Anu Muhammad, a professor of economics at Jahangir Nagar University, said.

"The duty for garment products originating from China is only 3 percent, meaning they are getting much better tariff terms without signing treaties or accords like Ticfa."

"Plus, Bangladesh is a poor country, with a limited product basket and export volume. If anything, it's us that are in need of the terms of tariff enjoyed by China."

Another sticking issue with the Ticfa deal is the enforcement of intellectual property rights, which Bangladesh is currently exempted from until 2021 by the World Trade Organisation due to being a least-developed country.

Signing of the Ticfa deal means the country would have to pay royalty fees for the intellectual

property rights belonging to the US, which, Muhammad says, would severely impair the country's fledgling pharmaceuticals and ICT industries.

"The companies would be running up colossal losses due to the huge royalty fees they'd have to pay—their products, too, will become pricey."

The government is set to sign the Ticfa deal with the US without any national consensus, said Mujahidul Islam Selim, president of CPB.

The constitution stipulates full disclosure and ratification of the contents of an agreement by the Jatiya Sangsad before signing. "But the government has been maintaining extreme secrecy over the accord's contents—it is tantamount to violation of the country's constitution."

Syed Abul Maksud, a columnist and writer, called for an "extensive" debate on the deal in the parliament. "Unfortunately, the government did not have any

discussions—to keep it a secret from people."

"It is not the appropriate time to ink the TICFA deal as we have not reached any consensus on the agreement," Khalequzzaman, general secretary of BSD, said.

The cabinet on June 17 approved the draft accord of Ticfa, with the deal to be signed later on at a convenient time for both parties.

Talks for signing the agreement, originally known as the Trade and Investment Framework Agreement (Tifa), started in 2002, although the unofficial talks started a lot earlier, in 1992. The Tifa was later renamed to its current form, Ticfa.

The US has, so far, signed the Tifa or Ticfa or similar agreements with 92 countries and regional associations and groups.

A joint forum on trade and investment, comprising of representatives from both the countries, will meet no less than once a year, according to the draft.

Labour leaders demand salary, bonus by Aug 5

STAR BUSINESS REPORT

Labour leaders yesterday urged garment factory owners to pay out worker salaries, overtime payments and festival bonuses by August 5, ahead of the Eid festival.

Some garment owners may not pay full salary for July and overtime payments, which could create troubles in the sector, Amirul Haque Amin, chairman of Bangladesh Garment Workers Unity Council, said at a rally in front of the National Press Club.

They also urged the owners not to terminate any worker before the Eid because such a step would cause unrest in the sector, Amin said.

The owners should pay bonus, equal to basic salary of one month, to workers, he said.

"We will launch protests against owners if they are unwilling to pay full bonuses to the workers," he said.

The government on July 21 also asked factory owners to clear payments of wages and festival bonuses by August 6. "If the workers do not get their salary before the Eid, they will be deprived of their right to a better life," said Salauddin Swapan, secretary of BGWUC.



Abdul Hai Sarker, chairman of Dhaka Bank, presents the key of a school bus to Provost Marshal Brigadier General Md Sharafat Hossain, for Proyash, the Bangladesh Army's school for children with special needs, at the school premises yesterday.

Formalin still widely available: Quader

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"Lack of coordination among ministries involved in ensuring food safety is also responsible," he added.

Khaleda Islam, a professor of nutrition and food science at DU, said a rising number of people are getting admitted to hospital with liver and kidney disease, which occurred due to consumption of contaminated foods.

"Whatever we eat it affects our liver and kidney first," she said, while criticising the government's failure to detect the persons involved with food adulteration.

"We are killing our own people," said Latiful Bari, chief scientist of Centre for Advanced Research and Sciences of DU.

He said local firms are making quality food for exports but are selling substandard ones on the domestic market.

"There has to be ethical practices among traders to stop adulteration. Enforcement of law and consumer awareness, are also necessary," said Akram Uddin Ahmed, president of FBCCI.

Khalilur Rahman Sajal, executive director of VOCTA, moderated the discussion.



A Rouf Chowdhury, chairman of Bank Asia, inaugurates Cash Waqf, a product of Salamah Islamic banking, at the bank's corporate office in Dhaka on Monday. Mohammed Lakiotullah, vice chairman, was also present.



Mohius Samad Choudhury, chief operating officer of Golden Harvest, and Shahriar Kamal, deputy managing director of Concord, exchange documents of a deal at a programme recently. Golden Harvest will supply frozen foods to all establishments of Concord.

Budget seen through the prism of political economy

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A tax to GDP ratio of 15-16 percent of GDP is an achievable target over the medium term and can go a long way in addressing the fiscal constraint. This can also be achieved by reducing the reliance on trade taxes.

Specifically, the revenue composition in terms of GDP could be: 7 percent from income taxes; 7 percent from domestic value-added taxes and 2 percent from trade taxes as opposed to 3.4 percent, 4.2 percent and 3.4 percent respectively at the present time.

The largest scope for revenue mobilisation is from personal income taxes. Presently, total income taxes are a mere 3.4 percent of GDP, of which personal income taxes account for only 1.7 percent of GDP.

According to the 2010 HIES, the top 10 percent of the population accounts for 35 percent of the national income. By implication, it is clear that the effective personal income tax rate is a mere 5 percent. Doubling this effective rate to 10 percent would increase personal income taxes to 3.5 percent of GDP. Bringing capital gains from property transactions and stocks in the normal tax net (with a presumably lower rate) and introducing a proper property tax will go a long way to improve tax collection from personal income and wealth. The corporate tax structure could also be improved by rationalising many of the exemptions, rethinking the taxation of the RMG sector profits by treating them similarly to other corporate sector, and ensuring that the high corporate rates do not serve as a disincentive for investment.

The biggest hurdle to tax reforms is the control of the rich and powerful in policy making. The top 10 percent of the income owners comprise of big business, the politicians, and the elite. Directly or indirectly they control decision making irrespective

of the government in power. The exemptions of capital gains from land holdings and stocks and the lack of a functioning property tax system are the outcome of protection of self-interest by this group.

Similarly, the gains from trade protection accrue to domestic business houses who do not want to be exposed to international competition. Through the various business chambers they wield considerable influence on policy making.

Regarding public spending, the beneficiaries of energy subsidy are by and large the urban non-poor rather than the poverty level group whose consumption basket has a very low share of energy.

The urban non-poor have a much larger voice in policy making than the poor. Any effort by the finance ministry to curb energy subsidy has met with stiff resistance. On the other hand, the demand for higher budget for spending on human development and social protection comes mainly from the poor. This group is neither organised and nor do they have a major voice except through the 5 year national election cycle.

What is the way out? This is a difficult question to answer. One hopes and expects that the democratic process of national elections gets mature enough some day to bring in real competition in the political process and brings in leadership that is sensitive to the needs of its electorates. This is an evolutionary process that will also benefit from growing income and education. Other institutions such as the media and the think tanks can also help facilitate the process through public education and awareness campaigns.

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Bharti Airtel's results buoy telecom sector

REUTERS, New Delhi

Mobile market leader Bharti Airtel Ltd's improving domestic operating performance raised hopes that the battered sector is taking a turn for the better even as the company posted a 14th consecutive quarter of falling profit.

Bharti Airtel, nearly a third owned by Southeast Asia's top phone carrier SingTel, reported consolidated net profit fell about 10 percent to 6.89 billion rupees, hit by foreign exchange losses due to the weaker rupee and continued losses at its African operations.

But its stock closed 7.3 percent higher, posting its biggest single-day percentage gain in more than three years as investors were heartened by growth in key metrics such as average revenue per user and rates per minute as competition cools following a years-long price war in the crowded India cellphone industry.

BIDS jumps 14 spots in Asian think-tank survey

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Lowy Institute of Australia secured the top slot, followed by Singapore Institute of International Affairs and Centre for Strategic Studies of New Zealand. The rating list, however, excludes China, India, Japan and South Korea, all of which have been put in a separate category.

BIDS also made it to the 98th position on the list of top 150 think tanks in the worldwide category. Brookings Institution of the US, Chatham House of the UK and Carnegie Endowment for International Peace of the US, took the top three spots.

This global think tank index is the result of an international survey of over 1,950 scholars, public and private donors, policy makers and journalists, who helped rank more than 6,500 think tanks using a set of 18 criteria developed by the TTCSP.

The purpose of the rankings is to help improve the profile and performance of think tanks while highlighting the important work they do for governments and civil societies around the world.

Banks' spread hits 5pc again

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The central bank in recent times has been allowing foreign borrowing so that pressure mounts on the domestic banks to reduce lending rates. But the recent trend shows that the banks have been increasing lending rates again.

The spread at state-owned banks is 3.66 percent, private banks 5.34 percent and foreign banks 8.59 percent, according to the BB.

The spread is abnormally high at some foreign banks.

The weighted average deposit rate of a foreign bank is 2.13 percent, whereas its lending rate is 11.96 percent.

Correction

In a news item—BEF picks new office bearers—published on B3 yesterday, it was said Sabrina Yasmin, director of Osman Textiles Ltd, was elected vice president of Bangladesh Employers' Federation.

Her correct name is Sabrina Islam. We regret the error.



Rajnish Kapur, managing director of Holcim Cement (Bangladesh) Ltd, attends the launch of a new customer loyalty programme to enhance customer satisfaction, at the corporate office of Holcim Bangladesh recently.



AKM Shahidul Haque, managing director of Midland Bank, and Kazi Saifuddin Munir, managing director of IT Consultants Ltd, shake hands after signing a deal for setting up of Q-cash ATM network support for Midland in the capital recently.

PRIVATE BANKS' INTEREST RATES

MONTHLY WEIGHTED AVERAGE AS ON JUNE 30

UNION	14.50
	11.72
MEGHNA	8.22
	7.91
SOUTH BANGLA	16.36
	9.42
NRB	15.22
	11.21
BRAC	16.95
	7.51
JAMUNA	15.57
	9.69
SHAHJALAL	15.23
	10.29
TRUST BANK	14.11
	9.31
BANK ASIA	14.78
	9.71
FIRST SECURITY	15.64
	11.05
PREMIER	16.01
	9.56
MUTUAL TRUST	14.79
	9.88
COMMERCE	15.68
	9.16
EXM	15.24
	10.27
ONE	15.07
	9.31
STANDARD	15.51
	10.54
MERCANTILE	14.43
	10.17
DUTCH-BANGLA	14.33
	6.03
SOCIAL ISLAMI	15.50
	9.75
AL-ARAFAH	14.52
	9.96
DHAKA	14.71
	9.57
SOUTHEAST	15.01
	10.15
PRIME	15.51
	8.64
NCC	14.36
	9.87
EASTERN	14.59
	9.37
ICB ISLAMIC	6.46
	4.20
UTTARA	14.53
	8.51
PUBALI	13.77
	8.34
UCB	14.58
	9.31
IFIC	15.14
	9.66
THE CITY	15.91
	8.18
NATIONAL	14.96
	9.85
ISLAMI	11.22
	7.46
AB	14.72
	9.48

● SOURCE: BB ■ DEPOSIT RATES ■ LENDING RATES