

Trade bodies slam VAT on e-commerce

STAR BUSINESS REPORT

The proposed budget for 2015-16 allocated more funds for the ICT sector compared with the current year, but it ignored most of the demands of the sector, three leading ICT trade bodies said yesterday.

The leaders of Bangladesh Association for Software and Information Services (BASIS), Bangladesh Computer Samity (BCS) and Internet Service Providers Association Bangladesh (ISPAB) made the comments at a joint press conference at the BASIS office in Dhaka.

Some good moves were there in the proposed budget, like the tax holiday facility for ICT up to 2024; but at the same time, 4 percent VAT was imposed on e-commerce, which will hamper the sector's growth, said Shameem Ahsan, president of BASIS.

He urged the government to keep the e-commerce sector VAT-free at least for the next five years; otherwise, local entrepreneurs will not sustain and multinational firms will take control of the sector.

In their common budget recommendations, the trade bodies sought withdrawal of VAT from all sorts of e-commerce prod-

ucts for the next three to five years.

He also urged the government to withdraw the existing distribution level tax that is paid by the entrepreneurs of e-commerce service providers.

Ahsan praises the proposal to impose 5 percent customs duty on imported computer software, with the exceptions of database, operating systems and development tools.

The hardware sector was ignored in the proposed budget, said AHM Mahfuzul Arif, president of BCS. "It is impossible to develop the ICT sector without hardware. But in the budget, we found nothing."

He also commended the move to reduce the duty from 25 percent to 10 percent on digital camera imports, but he is unhappy that the duty on hardware imports is still in place.

Fifteen percent VAT on use of internet is a negative signal to building a digital nation, said MA Hakim, president of ISPAB.

The 5 percent supplementary duty on all mobile phone services will restrict the users from massive use of internet, Hakim said.

The leaders of the trade bodies said they will sit with Finance Minister AMA Muhiht on June 17 to discuss the issues.

Zimbabwe to phase out worthless local dollar

AFP, Harare

The Zimbabwean dollar will officially be taken out of circulation, officials said Thursday, six years after hyper-inflation rendered it worthless and US dollars became the most widely-used currency.

The government effectively abandoned the local currency in 2009 and adopted a multiple currency system that includes the US dollar and the South African rand.

"Zimbabwe adopted the multiple currency system or dollarization in 2009 and it is therefore necessary to demonetise the Zimbabwe dollar unit," Reserve Bank of Zimbabwe governor John Mangudya said at a news conference. "We are decommissioning this currency."

The southern African country once removed 12 zeros from its battered currency at the height of hyper-inflation in 2009 when the largest note was the \$100 trillion denomination. Official figures put inflation at 230 million percent but put it much higher.

Mangudya said \$20 million has been set aside to offset Zimbabwe dollar bank balances and to pay people still holding to the local unit.

The process will run until September, he said.

"People went through a difficult process in terms of inflation. Yes, we know that there was hyper-inflation. We need to ensure that as a country we move forward," Mangudya said. Zimbabwe has been saddled with a financial crisis for over a decade following President Robert Mugabe's land reforms which decimated farming, the backbone of the economy.



Mohammed Ibrahim, managing director of Super Star Group, poses with the officials at the company's monthly sales meeting for June recently.

iPhone maker Foxconn in talks to build first Apple plant in India

REUTERS, Mumbai

Foxconn Technology is in talks to manufacture Apple's iPhone in India, government officials said, in a move that could lower prices in the world's No.3 smartphone market where the U.S. firm trails Samsung Electronics and local players.

India could help Foxconn mitigate accelerating wage inflation in China, where it makes the majority of iPhones, and base production sites closer to markets where its key clients want to grow.

Lower production costs could also help Foxconn keep hold of Apple orders amid intensifying competition with nimble manu-

facturing rivals such as Quanta Computer Inc.

"Foxconn is sending a delegation of their officers to scout for locations in a month's time," Subhash Desai, Industries Minister of India's western state Maharashtra, told Reuters.

Foxconn has said it is aiming to develop 10-12 facilities in India, including factories and data centres, by 2020, but had given no detail.

The Taiwan-based tech giant, the world's largest contract maker of electronic products, declined to comment on detailed plans on Thursday, citing commercial sensitivity.

Desai said Foxconn had yet to make any firm commitment, but he said the group was looking to manufacture iPhones, iPads and iPods, both for domestic as well as global sales.



GLOBAL INSURANCE

Md Abdul Muqtadir, chairman of the claim committee of Global Insurance, hands over a marine claim cheque for Tk 21.31 lakh to Feroz Ahmed, managing director of Creative Paper Mills, at a programme recently.



BGIC

Towhid Samad, chairman of Bangladesh General Insurance Co, speaks at the company's 30th annual general meeting at Ladies' Club in Dhaka yesterday. The company declared 12 percent cash dividends for 2014. Salim Bhuiyan, vice chairman, was also present.

Growth to be 6.3pc next year: WB

FROM PAGE B1
SLOWER GLOBAL GROWTH

The WB also cut its global growth outlook for this year and urged countries to "fasten their seat belts" as they adjust to lower commodity prices and a looming rise in US interest rates.

Kaushik Basu, the WB's chief economist, said the Federal Reserve should hold off on a rate hike until next year to avoid worsening exchange rate volatility and crimping global growth, according to Reuters.

In its twice-yearly Global Economic Prospects report, the global development lender predicted the world economy would expand 2.8 percent this year, below its 3 percent prediction in January.

It said low commodity prices, especially the roughly 40 percent drop in oil prices since last year, had hurt commodity exporters more than anticipated. The WB also warned countries to prepare for higher US interest rates, which would raise borrowing costs for developing economies.

"We at the World Bank have just switched on the seat belt sign," Basu said in a press conference in Washington. "We are advising nations, especially emerging economies, to fasten their seat belts."

Basu said lower commodities prices eventually should help global growth, and the lender kept its global growth forecasts unchanged for next year and 2017.

It also predicted that India would be the fastest-growing major economy for the first time this year, growing at a rate of 7.5 percent, up from the previous forecast of 6.4 percent.

But the World Bank cut its 2015 growth forecast for developing countries to 4.4 percent, from 4.8 percent in January, pointing to the drag of expected recessions in Brazil and Russia.

It also lowered the growth outlook for the United States to 2.7 percent this year, from 3.2 percent in January, and to 2.8 percent next year, from a previous forecast of 3 percent.

The US economy slumped at the beginning of 2015 due in large part to bad winter weather, a strong dollar, port disruptions and deep energy sector spending cuts.

"If I were advising the US Fed, I would recommend that (higher rates) happen next year instead of late this year," due to the mixed economic picture, Basu said, adding that it was his own view rather than that of the WB as a whole.

"My own concern is that a relatively early move (in US rates) could cause an exchange rate movement, strengthening of the dollar, which will not be good for the US economy" and have negative repercussions for other countries, he said.

BB's large loan rescheduling facility gets no response

FROM PAGE B1

After getting the restructuring facility, the large borrowers will enjoy 50 percent term loan facility against their last credit limit from the banks and 60 percent for their working capital.

The restructured loan shall have a maximum tenure of 12 years for term loan and six years for demand and/or continuous loan. The interest rate, to be charged against the outstanding balance of the restructured loan, may be at a discount from the prevailing declared rate of the bank.

In any case, it shall not be less than the cost of fund plus 1 percent. The banks will have to keep the restructured loans under special mention accounts and they must keep 2 percent provision against such type of loans.

The banks will have to withdraw the restructuring facility if any borrower fails to repay instalment for two consecutive quarters.

The Daily Star spoke to the managing directors of two banks, both of whom said the conditions for rescheduling large loans under the policy are very tough for the borrowers.

"There is hardly any chance to get refinance after rescheduling a large loan. Defaulted loans will be rescheduled only," said another managing director of a private commercial bank.

Syed Abu Naser Bukhtear Ahmed, a former banker and currently a financial consultant, pointed out BB's biased policy to extend the rescheduling facility to only the big and rich borrowers. "Why would the borrowers below Tk 500 crore not get the same chance?"

Ahmed said the down payments and other conditions could be different, as the BB has done for the Tk 500-crore and Tk 1,000-crore borrowers.

He also said the conditions and processes needed to take up the rescheduling opportunity are cumbersome and time-consuming.

For instance, there are cases in which as many as 30 banks are involved for a single group's defaulted loans.

Yet, BB is expecting 20 to 30 rescheduling applications from the defaulted borrowers by the June 30 deadline, according to Chowdhury.

Muhiht urges IDB to come out of traditional financing

FROM PAGE B1

Muhiht said Bangladesh's economy has gained a solid macroeconomic foundation. "The annual GDP growth last year was 6.2 percent and we are expecting it to be 6.6 percent this year."

Bangladesh is one of the largest recipients of IDB funds, said the minister. "We have an active portfolio of about \$1,850 million, including trade finance."

Of a total of \$17.17 billion as approved by IDB till date, \$15.45 billion is trade finance and \$1.72 billion is project finance, of which about 10.5 percent is from IDB's concessional window and 89.5 percent is non-concessional, the minister said in the statement.

To be specific, the annual allocation of ordinary concessional window for Bangladesh is only \$20 million which is insufficient, he said.

Toy makers staring at happy days ahead

FROM PAGE B1

EDSO said most of the toys contain high levels of toxic metals such as lead, mercury, cadmium, bromine and chromium, all of which pose health risks such as learning disability, hormone problems and cancer.

There is no proper regulation in Bangladesh regarding toxic metals in toys, due to which such items are being imported from different countries of the world, the report said.

Mojumder said the government can formulate standards regarding heavy metals in toys to facilitate healthy expansion of the sector.

Attain sustainable growth with structural reforms

FROM PAGE B1

Rajan is credited with being one of the few who have pointed out the problems in the global economy before the crisis hit the world. In 2005, during a stint as the chief economist of the International Monetary Fund, Rajan gave a gloomy talk to the world's central bankers at their annual gathering in Wyoming, US, predicting the subprime crisis that later morphed into the global financial crisis.

A finance professor at the graduate business school at the University of Chicago, Rajan thinks the current non-system in international monetary policy is a source of substantial risk, both to sustainable growth as well as to the financial sector.

"It is not an industrial country problem, nor an emerging market problem; it is a problem of collective action."

He fears that in a world with weak aggregate demand, "We may be engaged in a risky competition for a greater share of it. We are thereby also creating financial sector risks for when unconventional policies end." In an ideal world, the political imperative for growth would not outstrip the economy's potential, said Rajan.

"Given that we do not live in such a world, and given that social security commitments, over-indebtedness, and poverty are not going to disappear, it is probably wiser to look for ways to enhance sustainable growth."

Clearly, the long run response to weak global growth should be policies that promote innovation as well as structural reforms that enhance efficiency, he added.

"Given that growth within countries is poorly distributed, policies that improve the domestic distribution of capabilities and opportunities without significantly dampening incentives for innovation and efficiency are also needed."

In addition to knowledge sharing, global growth would benefit from an augmentation of the capital base of multi-

lateral institutions like the World Bank, the African Development Bank, and the Asian Development Bank, so they can provide part of the patient risk tolerant capital the emerging world needs.

"Despite competing domestic demands, industrial countries should recognise the important catalytic role that the development banks can play and help bolster their capital. At the very least, they should not stand in the way of others augmenting capital and taking more ownership."

Sensible investment has a much better chance of paying dividends when macroeconomic policies are sound, said Rajan. And such policies are easier when the adverse spillovers from cross-border capital flows are limited; this may require new rules of the game for policymaking, he added.

"Ideally, responsible global citizenship would require a country to act as it would act in a world without boundaries. In such a world, a policymaker should judge whether the overall positive domestic and international benefits of a policy, discounted over time, outweigh its costs."

"Some policies may have largely domestic benefits and foreign costs, but they may be reasonable in a world without boundaries because more people are benefitted than are hurt."

The bottom line is that multilateral institutions like the IMF should re-examine the "rules of the game" for responsible policy, and develop a consensus around new ones, Rajan said.

"The IMF should analyse each new unconventional monetary policy, and based on their effects and the agreed rules of the game, declare them in- or out-of-bounds."

However, of course with country authorities in almost every industrial country focused on appeasing populist anti-trade anti-finance and anti-central bank political movements, there is little appetite for taking on further international commitments, he said.

"We clearly need further dialogue and public debate on the issues that have been raised, while recognising that progress will require strong political leadership."

Rajan said it would also be a useful exercise for the IMF, in a period of growing vulnerability to capital flow reversals, to determine those countries that do not have own, bilateral, regional, or multilateral liquidity arrangements to fall back on, and to work to improve their access to some safety net.

"Even as we create conditions for sustainable growth, we need new rules of the game, enforced impartially by multilateral organisations, to ensure countries adhere to international responsibilities."

Structural reforms, typically ones that increase competition, foster innovation, and drive institutional change, are the way to raise potential growth, he said.

"But these immediately hurt protected constituencies that have become accustomed to the rents they get from the status quo. Moreover, the gains to constituencies that are benefitted are typically later and uncertain while the pain is immediate and its incidence clear."

Atiur Rahman, governor of Bangladesh Bank, said Bangladesh and other developing economies in South Asia weathered the global financial crisis focusing mainly on upholding domestic demand-driven growth to compensate for export demand weakness.

"Monetary loosening in our region had a consciously chosen inclusive financing support bias for farm and non-farm micro, small, small and medium enterprises output initiatives. On the whole, this enabled us in developing economies to weather the crisis fairly well, with no sharp dip in output growth during or following the crisis."

Governors and senior officials from Saarc central banks as well as ambassadors of different countries, researchers and academics were also present.



ELECTRO MART

Md Nurul Afser, a director of Electro Mart, and Md Kamruzzaman, head of e-banking division of Dutch-Bangla Bank, exchange documents of an agreement at a programme recently. The bank's credit card users can make purchases at Electro Mart sales and display centres with up to 24 interest-free monthly instalments.



HAQUE GROUP

Adam Tamizi Haque, managing director of Haque Group, poses at the launch of two products—Choco Pop Chips and Wasabi Pop Chips—held at Haque Centre in Dhaka on Sunday.