

Build capacity to deal with non-tariff measures: analysts

STAR BUSINESS REPORT

South Asian countries should develop the capacity to deal with non-tariff measures as many of them would continue into the future, experts said yesterday.

"But there is no way but to comply with the NTMs. We have to build our capacity, infrastructure and knowledge to face them."

Ahmed's comments came at a dialogue styled "Promoting trade in Bangladesh-Bhutan-India-Nepal (BBIN) sub-region".

The Metropolitan Chamber of Commerce and Industry organised the two-day public-private dialogue in association with the Saarc Chamber of Commerce and Industry and the Asia Foundation.

The event, which brought together experts from India, Bhutan, Nepal and Bangladesh,

ended yesterday.

Shauqib Quoreshi, secretary of the MCCCI, said the popular perception is that tariff levels in Saarc countries have come down to a reasonable level under the South Asia Free Trade Agreement, but the volume of intra-regional trade remains below 5 percent because of the NTMs.

Quoting studies, he said if transaction costs for regional trade are reduced by 25 percent, the welfare gains for all countries will be worth \$14.62 billion.

"There is no denying that NTMs manifested as non-tariff barriers and para-tariff barriers are responsible for the high degree of transaction costs in cross-border trade."

Since the formation of SAFTA in 2006, the sensitive lists among the member states have only gotten bigger, Quoreshi added.

The sensitive list is the list of products of special interest to individual member countries that are exempted from the low Safta tariffs.

The use of sensitive lists allows countries to protect growing domestic industries or important sources of customs revenue.

Ferdous Ara Begum, chief executive officer of Business Initiative Leading Development, said there is a prevalence of NTMs despite a lot of studies that show that global trade goes up significantly if supply chain barriers are removed.

The sensitive list of each South Asian country should be revised, she added.

Sonam Tashi, representing the economic affairs ministry of Bhutan, said a line has to be drawn on the issue of NTMs.

Mashiul Alam, deputy chief of

Bangladesh Tariff Commission, said the rules of origin are very strict in South Asia. "It is high time that they are downsized."

MS Siddiqui, a trade analyst of Bangladesh, said trade barriers are the result of political decisions.

He also raised questions why India does not accept the standardisation certification of the Bangladesh Standards and Testing Institution.

Lakshmanan Savithri, director of Kathmandu-based Saarc Secretariat, called for harmonisation of quality and standards across the region.

Shafquat Haider, a director of the Federation of Bangladesh Chambers of Commerce and Industry, and Syed Humayun Kabir, director general of the South Asian Regional Standards Organisation, also spoke.

Better cyber security a must for banking sector: analysts

STAR BUSINESS REPORT

Strengthening cyber security in the banking sector is a must, especially with regular innovations happening in the ICT sector, analysts said yesterday.

Almost all banks launched online services without taking proper precautions, and most of their IT systems are outsourced from private vendors, said Mahbubur Rahman, associate professor of Bangladesh Institute of Bank Management.

Lack of skilled manpower is a major problem in the banking sector, said Omar Farooq, head of IT at Eastern Bank.

They spoke at a programme on cyber security organised by PricewaterhouseCoopers (PwC) at Sonargaon Hotel in Dhaka.

"Around 90 percent of the banks do not have IT governance, while top management of the bank do not have IT knowledge either," Farooq said.

According to the PwC Global Economic Crime Survey 2014, cybercrime was one of the top economic crimes reported by

organisations across the world, including India.

India ranks among the top five countries in terms of number of cybercrime incidents, according to the 2013 Norton Report.

The National Crime Records Bureau in India in a PwC analysis said around 1,322 cases were reported under cybercrimes in the country in 2010 while 5,693 cases were filed in 2013, which reached 9,621 in 2014.

One could have the best banking team, but they will be unable to do anything efficiently due to lack of budget and empowerment, said Vishal Salvi, partner at PwC.

Swift decision making as well as a right strategy are both essential for protection against cyber crimes, he said.

"You have to consider your IT investment in terms of business. Cyber security is everybody's responsibility."

Bangladesh alone is not suffering from cyber threat, it is a global issue now, he said. "We need to address it jointly and find solutions for the sake of all."



Kamrul Abedin, president of the Institute of Chartered Accountants of Bangladesh, and Mahfuzul Hoque, professor of Dhaka University, attend a discussion on chartered accountancy at the business studies faculty of the university. The students of Department of Accounting and Information System of the university will get subjects waiver and conditional fee waiver while studying chartered accountancy at ICAB.



Muntasir Rashid, chief operating officer of Market Access Providers (MAPL), and Shams Imran, business head, pose with the trophies received at the Flame Awards Asia and Flame Leadership Awards 2016, held in New Delhi, India. The awards are given by Rural Marketing Association of India, a premier industry body that works for rural marketing.

Senior StanChart official in town

STAR BUSINESS DESK

Karen Fawcett, chief executive of retail banking at Standard Chartered, is now in Dhaka for a short visit, the bank said in a statement yesterday.

She is scheduled to meet with key clients, stakeholders and senior staff of the bank during the visit, according to the statement. Sebastian Arcuri, the bank's regional head of retail banking for Asean and South Asia, is accompanying her. Fawcett took charge of her current position in October 2015, the bank said.

She is responsible for directing the global strategy and performance of retail banking business, which spans more than 30 countries, serving over nine million clients through more than 1,000 branches and 4,500 ATMs, the bank said.

Prior to this, she was the group head of retail clients and also led transaction banking from 2005 to 2014. Fawcett also represented the bank externally as a member of the Transaction Banking Global Leaders Group.



Karen Fawcett

Foreign firms take advantage of loopholes in tax law: report

STAR BUSINESS REPORT

Multinational companies avoid the burden of tax payment by taking advantage of loopholes in laws, according to a report released yesterday.

The report -- Getting to Good: Towards Responsible Corporate Tax Behaviour -- called for curbing tax avoidance in developing countries like Bangladesh and expanding the tax net to finance development. ActionAid, Christian Aid and Oxfam jointly launched the report at the capital's Rigs Inn.

At the programme, the discussants said a good culture of tax payment has not been created among multinational firms because of old laws and rules, various agreements and a lack of transparency and accountability.

As a result, the tax to gross domestic product ratio remains at 11 percent, although it should be 16 percent.

Citing data, such as Bangladesh's infant mortality rate of 33 percent and secondary education ratio of 37.8 percent of population, the report said financing is a fundamental factor in addressing these concerns.

Subsequently, it is essential to curb corporate tax evasion in developing countries like Bangladesh. The developing countries rely more on corporate taxes because of a lack of income resources, it said.

Referring to the International Monetary Fund, it said the proportion of total tax revenue raised from corporate income taxes is 8 percent in developed countries and 16 percent in developing countries.

Ewan Livingston, senior advocacy adviser of ActionAid UK, said new sources of domestic tax revenue are needed.

"The need to tackle corporate tax avoidance is inseparable from the wider development goals," he added.

Subsequently, the discussants suggested plugging the loopholes in laws. Some suggested the government negotiate with other countries to come up with double taxation avoidance agreements in favour of Bangladesh.

The multinational companies take out their profits, saying that they pay taxes on their income elsewhere, said Farah Kabir, ActionAid's country director for Bangladesh.

"This affects countries like Bangladesh."

At the programme, MA Mannan, state minister for finance, and Muhammad Abdul Mazid, a former chairman of the National Board of Revenue, also spoke.

Income inequality on the rise: Muhith

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In the past decade, the economy has grown at nearly 6 percent per year, and human development went hand-in-hand with economic growth. Poverty dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake, the WB said.

While poverty reduction in both urban and rural areas has been remarkable, the absolute number of people living below the poverty line remains significant.

Despite the strong track record, around 47 million people are still below the poverty line, the WB said. There are also many people who could fall back into poverty if they lose their jobs or are affected by natural disasters.

In Bangladesh, income inequality measured by the Gini coefficient increased to 0.458 in 2010 from 0.350 in 1984, with a similar trend in both rural and urban areas, according to a study -- Human development in South Asia 2015: The economy and the people. The Brac Institute of Governance and Development unveiled the study report in December last year.

Between 1984 and 2010 in Bangladesh, the share of the poorest 20 percent of population in national income decreased from 2.9 percent to 2 percent, while for the richest 20 percent of population, it grew from 28.3 percent to 37.6 percent.

Income inequality that has risen over the last three decades in Bangladesh indicates a low impact of growth for the poorest households, the report said.

Meanwhile, at the meeting with Muhith yesterday, the newly elected ERF leaders put forward some proposals for the next budget.

The minister said he will not impose any fresh value added tax (VAT) on retail business in the upcoming national budget for fiscal 2016-17. Currently, the government realises VAT at 15 percent on retail sales.

The government will mandate the use of electronic cash registers (ECR) in the next budget so that businesses cannot evade VAT.

At present, businesses, who are shifting from the use of traditional accounting methods to ECR, sometimes evade VAT, the minister said.

The government has no plan to increase duty on the import of agricultural machinery, as it may affect poor cultivators, he added.

Like in the previous fiscal years, the government would allocate a handsome amount for training and human resource development.

"But, I have no plan to allocate money for the entrepreneurial development fund. I oppose such allocations. Such funds do not work well," Muhith said.

On the stockmarket, the minister said the government should not intervene much there. The government can only put the policy and regulations in place, he added.

"It is unfortunate that although the stockmarket in Bangladesh began functioning in 1952, the laws for this important market were made in 2012."

The government will allocate funds in the next budget to open 495 new tax offices at the upazila level to

collect more taxes, said Muhith. A total of 86 upazila level tax offices are operating across the country now.

The government has no plan to open a banking commission, as a committee is already working on the cyber heist of the central bank money, he added.

The government might introduce a financial reporting council in the next budget, Muhith said.

Mahbub Ahmed, senior secretary to the finance ministry, said the flow of investment has increased, but not to the expected levels.

Nojibur Rahman, chairman of the National Board of Revenue, said he will hold talks with economic reporters so that more specific proposals from the journalists can be accommodated.

Saif Islam Dilal, president of the ERF, said Bangladesh has more than five crore working people. "So the government should allocate funds for human resources development."

Quamrul Islam Chowdhury, general secretary of the National Press Club, said economic growth has been hovering around 6 percent for many years now. "We should take this growth to 9-10 percent."

He also urged the government to increase state investment so that the private sector entrepreneurs also feel encouraged to do the same.

"The government should reduce the prices of petroleum products in line with international prices," he added.

Sultan Mahmud, the immediate past president of the ERF, urged the government to take steps to stop capital flight from the country.

Two BB officials fly to Manila to help recover stolen funds

"The two BB officials will assist him," Saha said. He spoke to reporters after a meeting of the coordination council of regulators at the BB headquarters.

The Senate of the Philippines is now investigating the case after the funds slipped into the country, and one Filipino bank, one remittance company and a number of casinos were implicated. Bangladesh's Ambassador to the Philippines John Gomes also attended a Senate hearing.

One casino junket operator has already returned \$4.6 million of the \$81-million stolen funds to the Anti-Money Laundering Council of the Philippines.

Representatives of the BB, the Insurance Development and Regulatory Authority

(IDRA), Bangladesh Securities and Exchange Commission, the Microcredit Regulatory Authority, Bangladesh Telecommunication Regulatory Commission and the Department of Cooperatives attended the meeting. The coordination council discussed issues such as depositing insurers' funds to non-banking financial institutions, bond market and SIM registration.

The IDRA has capped the amount, which an insurer will be able to invest of their life funds or reserve in the non-banking financial institutions, at 10 percent, according to a central bank official who was present at the meeting.

The regulators also discussed ways to activate the bond market.

Credit card guidelines take a backseat after cyber heist

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"The guidelines are very much necessary in the wake of the recent card frauds. We have given our feedback on the draft guidelines more than six months ago, but nothing has happened yet," said an official of Eastern Bank. Bankers said the guidelines will help them set fees, charges and interest rates on credit cards.

It will also help a card issuer to design and undertake marketing strategies for the growing plastic money business, they said.

The draft guidelines stipulate that credit cards be issued only to citizens or residents of Bangladesh, who are above 18 years of

age on the date of the application and have the means to pay the bills. Cardholders must have valid electronic tax identification number and a positive credit history.

The card issuer will solely be responsible for fulfilment of all Know Your Customer (KYC) requirements and such documents shall be maintained under the safe custody.

There are also conditions on the issuance of supplementary credit cards.

The guidelines will not only reduce frauds but also help the banks structure credit card business, said an official of City Bank, a market leader in this field.