

# Starved of resources, UK's most deprived town pins hopes on Brexit

REUTERS, Oldham, England

The son of Pakistani immigrants, Sajaad Ahmed voted to leave the European Union because he sees only one way to reverse a decades-long dwindling of resources in Britain's most deprived town: curb immigration.

Deteriorating public services, competition for jobs and a general economic malaise are the constant refrainers of the 61 percent of voters in this northwest English town who opted to leave the EU, many citing migration as the root cause.

Their long-simmering frustrations exploded onto the world stage on Friday when 52 percent of Britons voted to leave the EU, forcing the resignation of Prime Minister David Cameron, sending global markets into a tailspin and raising questions about the future of the European Union itself.

"It's not racism. It's just that we've been pushed to the back of the queue," Ahmed said as he waited in a minivan to pick up his wife and children from

the Bargains 4 Less Superstore in Oldham a day after he defied the advice of relatives and voted leave.

"It's like you've had the fun, let these people come in and have a little bit... a piece of the pie. But the pie is getting increasingly smaller."

Of a dozen Leave voters interviewed in Oldham, named the most deprived town in Britain by the Office for National Statistics, all cited shortages of good jobs and over-stretched services - and all said migrants were a factor.

"I'm just sick of all those foreigners coming in. And wasting all that money sending it to Europe," said unemployed Kim Marshland 48, who was drinking a pint of lager on the terrace of a pub decked out with strings of English flags.

Ahmed, 45, said he spends an hour a day ferrying his four children to three different schools because there are not enough places at the school next to their house.

He has started working as a carer in the evening to top up his dwindling wages as a taxi driver to pay for tutors

to help his eldest daughter get into university, something he never managed himself.

Queues are longer every time he visits the doctor, friends can't get the jobs they are qualified for, and his sister's rent has soared by 50 percent in the last few years, he complains.

While the problems have grown in a period of austerity ushered in by the center-right Conservative government - which Ahmed voted for after defecting from center-left Labour - he insists most are due to increasing numbers sharing the same meager resources.

"My doctor is still my doctor. He's doing the same hours," he said. "But the queues get bigger and they say there's nothing we can do."

Oldham retains some of the red-brick monuments to its 19th century heyday as one of the textile capitals of the world, but after decades of decline its center is dominated by cheap chain stores.

The town is around 10 percent Pakistani and suffered some of the worst race riots in recent British history in 2001.

But it is the migrants from Eastern Europe who began arriving in the wake of the 2004 expansion of the European Union who have become the main target of resentment.

"It's the Eastern Europeans," said gardener John Crilly, 23, explaining that his decision to vote Leave was partly due to problems he had with some difficult Romanian neighbors.

"We live next door to them and it's a nightmare. There's no respect and that."

Ahmed, like many in the city, divides immigrants into those who benefit the economy and those who drain resources, and a key objection to the European Union is its failure to distinguish between the two.

"I take a lot of Eastern Europeans to work in Manchester, you know. I hold my hands up and say, yeah, that's the kind of people we want," he said.

"[But] what about the ones we don't see at work, there's 20 of them living in a house. They're there all day," he said, citing "whole streets" of such houses in the area where he lives, including former tenants in a small house he

owns who "stripped the place bare".

The right-wing anti-EU UK Independence Party has been growing in popularity locally, scoring around 20 percent of the vote in the three parliamentary constituencies around Oldham in last year's national election.

However, Labour retained all three seats, though most voters appear to have defied its call for a Remain vote on Thursday. The Conservatives have just two of 60 seats on the town council.

Oldham had almost no Leave posters, campaigners said, leaving people to get their information on the EU referendum from canvassers and the media. Ahmed said he reads the Daily Mail online and sometimes buys The Sun, both eurosceptic newspapers which urged readers to back Brexit.

He confidently reels off answers to every one of the Remain campaign's concerns: The financial turmoil is temporary, trade benefits everyone and won't stop, EU countries will be happy to give his well-educated children visas to work and study.

But as with most Leave voters interviewed, his optimism that the economy will improve in the wake of Brexit was not backed up by any specific reasons other than the saving of resources no longer devoted to the EU.

For many, a deep nostalgia appeared to play a role in their vote - nostalgia for a time they remember the economy and public services in the region as better and when Britain was less apologetic about its place in the world.

"We're falling behind the rest of the world and someone has to turn it around," said retired truck driver Roy Chaney, 72, who cited the economy and immigration as his reasons for voting to leave. "Australia has the best idea. They turn the (migrant) boats around and turn them back."

As for Ahmed, he hopes leaving the EU will bring back Britain's glory days.

"I was born and raised in this country, but it seems to have gone downhill," he said as he packed his kids into his van. "I'm hoping we will get back to what we used to be. Great."



**An expert on television commercials speaks at the 29th anniversary edition of the Cannes Predictions Reel held for the first time in Dhaka. Bitopi Leo Burnett organised the event, which is an initiative to share some of the world's best TV commercials.**

BITOPI

## Good investment climate will curb capital flight: analysts

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Bangladesh's recent decline in ranking in the ease of doing business and the global competitiveness report also proved that the country's investment situation is getting worse.

The lack of actions or punishment where cases are detected is also encouraging outflow of capital, he added.

Mohammed Farashuddin, a former governor of the Bangladesh Bank, echoed the same about the country's investment climate.

"If there was a 100 percent pro-investment climate, there would not be any capital flight," he said, adding that historical evidence also shows that the highest illicit financial flows had taken place during the election years, when uncertainty loomed large.

He suggested that Bangladesh should go for effective floating exchange rate before introducing capital account convertibility.

"Over appreciation of the taka through managed exchange rate also encourages the flow of illicit capital," Farashuddin said.

Earlier, Towfiqul Islam Khan, CPD's research fellow, made a presentation on the illicit financial flows from Bangladesh. The researcher tried to clarify the issue in the context of Bangladesh.

His findings show that 88 percent

of illicit financial flows from Bangladesh in the last ten years took place through trade mispricing.

During the period, the average illicit financial flows stood at \$5.588 billion a year, with the highest being in 2013, when \$9.666 billion flew out of the country.

The sum is about 3.6 times the education budget and 8.2 times the health budget.

"If 25 percent of this money can be taxed, the health budget could be tripled or the education budget doubled," found the CPD study.

The third highest amount, \$6.44 billion, slipped out of the country in 2008.

Interestingly, the country had been witnessing volatile political situation, centring on national elections, in both 2008 and 2013.

Akbar Ali Khan, former top bureaucrat and a former finance adviser to a caretaker government, said the capital outflows are not being fuelled by tax.

"The rich people are scared of keeping their money in the country. They think their wealth will be safe in other places."

Khan said the Anti-Corruption Commission cannot deal with the issue on its own; rather, a separate office is required to tackle the menace.

"Illicit financial flows cannot be prevented by creating new agencies

and formulating fresh laws. The governance crisis is a major issue here," said Ahsan H Mansur, executive director of the Policy Research Institute.

Bangladesh should start capital account convertibility to reduce this illicit outflow, he added.

M Syeduzzaman, a former finance minister, touched upon the sources of illicit money.

Real estate transactions, which are shown hugely under-valued to dodge taxes, are a big source of untaxed money, he said.

Abdul Matlub Ahmad, president of the Federation of Bangladesh Chambers of Commerce and Industry, questioned the activities of too many government agencies and offices that deal with the issue of money laundering.

"Maybe they know many things on the illegal capital outflows, but they cannot do anything," he said, without elaborating further.

He also gave an example of gold smuggling, which is being detected by the law enforcers. "But, no mastermind is yet to be caught up," he added.

Bhattacharya said it is clear from the discussion that Bangladesh being an investment-deficit country is becoming an illegal capital-exporting country.

To address the issue, a taskforce can be formed, he added.

## Telcos protest hefty taxes

STAR BUSINESS REPORT

Mobile phone operators yesterday protested the government's plan to impose hefty taxes on the use of mobile phone in the budget for next fiscal year.

They demanded withdrawal of supplementary duties and surcharge on all services and VAT on internet use.

The Association of Mobile Telecom Operators of Bangladesh (AMTOB) placed the demands at a press meet at Hotel La Vinci in Dhaka. The proposed budget is expected to be passed in parliament this week.

The operators suggested the government instead go for a comprehensive taxation policy. "The industry is already burdened with taxation processes at each stage of the value chain," said TIM Nurul Kabir, secretary general of the association.

And that is why they are demanding an overall tax revision for sustainable growth of the economy, he added.

Kabir termed the corporate tax struc-

ture for mobile operators discriminatory. Currently the corporate tax rate for the telecom sector is 40 percent for listed and 45 percent for non-listed companies, and AMTOB said it should be reduced to 25 percent and 35 percent.

If the government withdraws the tax burden, its revenue from this sector will increase in the next two to three years; its contribution to GDP will also rise by 2-3 percent, said Kabir.

The finance minister had proposed to increase the supplementary duty by 2 percentage points to 5 percent, which was already made effective by a statutory regulatory order (SRO) on June 2.

Earlier, Tarana Halim, state minister for telecom, also urged the government to withdraw the supplementary duty for the sake of digitisation. A meeting on the issue is scheduled for today between the telecom division and the National Board of Revenue.

In the budget for 2015-16, the government first introduced supplementary duty on all kinds of mobile phone use.

The government introduced a 1

percent surcharge earlier this year as well.

Customers have also been paying 15 percent value added tax on their total usage in the last few years.

Operator said the sector saw revenue growth 4.5 percent a year and the government hiked taxes by 4 percent.

The finance minister also proposed to increase the duty on fibre optic cable imports to 15 percent, which is currently 10 percent.

Kabir said the government also proposed to increase the fees to appeal to the NBR tribunal to settle disputes to 50 percent of the total claim, from 10 percent at present.

In addition, the government wants to increase the VAT and tax on internet modems, routers and other internet equipment, and AMTOB has also requested the government to withdraw all these duties to enhance the digitisation process.

Senior executives of different mobile phone operators were also present.

## Exports may face a blow for Brexit: DCCI

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The slump in purchasing power of EU zone customers and a devaluation of the pound and euro will adversely hit exports and earnings of Bangladesh. The EU accounts for 55 percent and UK 12 percent of garment exports of Bangladesh.

The plunge will also downsize remittance and foreign direct investment in Bangladesh. In addition, the \$50 billion garment export target by 2021 may not be possible.

DCCI requests the government to immediately take into account the possible consequences and precautionary measures to deal with the change by initiating bilateral discussions with foreign offices in the UK to find alternative ways.

The chamber also suggested the government form a national committee comprising trade bodies, experts, international trade law practitioners, economists, researchers, and representatives from concerned ministries and agencies to observe and report findings

on post-Brexit global economic order.

Industry insiders said an immediate impact of Brexit is that Bangladeshi exporters to the UK will get less value in currency exchange.

"Yes, as a short term impact of Brexit, our exporters to the UK will get less value in currency exchange as the pound devalued a bit. But, I hope in long term, our exports will grow to the UK if the British government does not suspend the duty benefit," said Commerce Minister Tofail Ahmed.

"Firstly, the UK economy will face the negative impact stemming from Brexit. Their economy will not grow like before. It will also have a negative impact on businesses," said Ahsan H Mansur, executive director of Policy Research Institute of Bangladesh.

"Since Bangladesh is a major trading partner for the UK, our businesses will also feel the negative impact," Mansur said. As for example, the exchange rate of the pound sterling fell immediately after Brexit,

which is why exporters will get less value, he added.

Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association, said, "We have a target to grow apparel exports to the UK by 12 percent to 15 percent year-on-year. I hope it will cross the \$5 billion mark in the next five years."

"Firstly, I think the UK will continue the duty benefit for the least developed countries as it is one of the major campaigners for duty-free benefit for LDCs to facilitate business growth in the poorer nations."

Still, if the 12.5 percent duty-benefit is cut, Bangladeshi exporters will lose competitiveness, Hassan said.

In this case, competing countries like India, Vietnam, Cambodia and Pakistan will grab a bigger market share in the UK.

If the cost of import in the UK increases, the international retailers who operate in England will put pressure on the Bangladeshi exporters to further cut prices of goods, he added.

## Lobbying with UK starts soon to retain trade benefit: Tofail

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Following Brexit, any suspension in trade privilege will strongly affect Bangladesh's garment trade, domestic vegetable production and employment, he said.

"After Brexit, the UK is now a single country and here we will need to continue diplomatic, commercial and economic lobbying simultaneously for establishing strong relationship and for the continuation of the trade privilege."

Over the years, Britain has become a major importer of Bangladeshi fruits and vegetables along with fish and meat owing to a large population of non-resident Bangladeshis.

Bangladesh exports fruits and vegetables worth more than Tk 400 crore to the UK every year, and nearly 40 percent of the UK's total export of fruits, vegetables and allied products a

year is destined for the British isles.

The local companies also export a good quantity of agro-processed packaged food to the UK.

"So, we will sit with trade analysts, diplomats, bureaucrats and international trade experts to take realistic steps to negotiate with the UK under the new system. But, we will have to wait for sometime to observe the UK's decision on duty and trade issues."

Last fiscal year, Bangladesh exported goods worth \$3.23 billion to the UK, registering a 21.28 percent year-on-year growth, according to data from the Export Promotion Bureau.

Garment items include nearly 90 percent of the total exports from Bangladesh to the UK in a year. And in the next five years, garment exporters are targeting to export \$5 billion worth of apparel items to the UK.

Many British retailers like Asda, Tesco, Primark, Marks & Spencer and Next purchase in bulk from Bangladesh every year.

"We have a historic relationship with the UK, as a large number of non-resident Bangladeshis are living there for years. So, in the long-term our relationship with the UK will continue to grow."

The minister observed that in the short-term, Bangladeshi exporters will receive less value due to the devaluation of pound sterling following Brexit.

"But, once the UK starts trade functions with the partners under the new system, things will get back to normal. This will not continue for long."

Last fiscal year, Bangladesh's total export earnings stood at \$31.20 billion. Of the amount, \$17 billion came from the EU.

## Mustafa Jabbar set to lead BASIS

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Moreover, some ministers supported the two panels and took part in open campaigns.

Of the cabinet members, Tarana Halim, state minister for telecom, backed the Sonia Bashir-led panel, while Zunaid Ahmed Palak, state minister for the ICT division, supported the Jabbar-led panel.

From the general category, Farhana A Rahman, a contestant from Jabbar's Digital Brigade Panel, bagged the highest number of votes.

She got 185 out of the 305 votes cast in between 10am and 5pm at the Karwan Bazar office of the national trade body for soft-

ware and IT-enabled services.

Jabbar bagged 181 votes, M Rashidul Hassan 177, Russel T Ahmed 175, Riyad SA Hussain 165 and Mostafizur Rahman Sohel 163.

Kabir, who led the Change Maker Panel, bagged 152 votes and Syed Almas Kabir 174 votes.

From the associate category, Uttam Kumar Pal, who contested under Jabbar's panel and the existing secretary general, won after bagging 68 out of the 107 votes.

A total of 22 candidates contested for the eight posts of director from the general category, while two contested from the associated category for one post.