

Major Chamber Events 2006

Meeting with the Hon'ble Prime Minister

A delegation from the Chamber led by its President, Mr. Latifur Rahman called on the Hon'ble Prime Minister Begum Khaleda Zia, M.P., at her office on the 19th April 2006. The delegation discussed various issues with the Prime Minister concerning the economy of the country included:

- Higher interest rate and credit squeeze
 - Increase in Government borrowing from the banking sector: threat to industrial and other sectors
 - Withdrawal of Tax Holiday
 - Worsening electricity situation
 - Impact of import liberalization on industries
 - Withdrawal of tax concession to whitening of black money
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Chamber Delegation accompanying the Hon'ble Prime Minister during her visit to India

The Chamber President, Mr. Latifur Rahman, Vice-President, Mr. A. K. M. Rafiqul Islam, FCA, Secretary-General, Mr. C. K. Hyder, Member of the Committee, Mr. Feroz Rahim, Managing Director, Berger Paints Bangladesh Ltd. Mr. Masih UI Karim and Managing Director Agricultural Marketing Co. Ltd., Maj. Gen. Amjad Khan Chowdhury (Retd.) accompanied the Hon'ble Prime Minister, Begum Khaleda Zia, M.P. who went on a state visit to India from the 22nd to 24th March 2006. Besides, the Prime Minister's meeting with the trade and industry, MCCI delegation had separate meetings with the Confederation of Indian Industry (CII), which was of great relevance to the issues relating to the operation of South Asian Free Trade Agreement (SAFTA) with effect from the 1st July 2006.

[Participation at the 7th International Conference on Corporate Governance held in London](#)

The Chamber participated at the 7th International Conference on Corporate Governance held in London on the 11th-12th May 2006. Former President, Mr. M. Anis Ud Dowla and the Secretary-General, Mr. C. K. Hyder were the participants.

Budget discussions: Meetings with the NBR

A delegation of Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) headed by its President, Mr. Latifur Rahman met the Chairman, National Board of Revenue (NBR) and members of the NBR on Thursday, the 13th April 2006 to discuss the Chamber's proposals for the Government's Budget 2006-2007.

Of the 52 proposals earlier submitted by the MCCI concerning Income Tax, Customs, VAT and Supplementary duty for 2006-2007, 21 proposals were discussed at the meeting, which included corporate tax, tax holiday, three-tier duty structure, adverse impact of tax on tax, removal of infrastructure development surcharge, supplementary duties on sugar, dry-cell battery and PVC rigid film, VAT appeal acceptance and disposal, discretionary powers of VAT authority, etc.

Participation at the Partnership Summit 2006 at Kolkata , India

A Chamber delegation consisting of the President, Vice-President, two former Presidents and the Secretary-General participated at the "Partnership Summit 2006" organized jointly by the CII (Confederation of Indian Industry) and the Government of West Bengal in Kolkata from January 18 – 20, 2006. The Summit was inaugurated by the Indian President, Dr. A.P.J. Abdul Kalam. The Summit was attended by many other important and international dignitaries.

Chamber Delegation at IMEXPRO 2006

A delegation from the Chamber participated at the "IMEXPRO 2006" held at Colombo, Sri Lanka from March 16 – 18, 2006. Our Chamber signed an MOU with the

Ceylon Chamber of Commerce during the visit in order to enhance mutual cooperation between the two bodies.

Meeting with the Minister for Commerce

The Chamber Committee led by its President Mr. Latifur Rahman called on the Hon'ble Commerce Minister Mr. Hafiz Uddin Ahmed at his Office on the 17th May 2006. The Committee congratulated the Minister for taking over the new assignment couple of days back. The Committee exchanged views with the Minister on various trade and economic issues including the Company Act and draft Insurance Act, which was under final review. The Minister assured the Committee to look into the issues and mentioned that the price hikes of essential commodities would come down to a substantial level soon. The Minister appreciated the Chambers' views and expected suggestions time to time.

Inaugural - Survey on "HR Practices in Bangladesh "

A survey on "HR Practices in Bangladesh", perhaps the first of its kind in the country has been planned to be jointly carried out by the Chamber and the Ernst & Young, India. The inaugural was held on the 18th May 2006 at the Dhaka Sheraton Hotel. Mrs. Renata Lok Dessalien, the UNDP Resident Coordinator & UNDP Resident Representative in Bangladesh graced the occasion with the Chamber President Mr. Latifur Rahman, Ernst & Young Senior Partner Mr. N.S. Rajan, ICC-Bangladesh President Mr. Mahbubur Rahman and Dr. Madhukar Shukla, Professor, Organizational Behavior & Strategy, XLRI, India. Total over 260 companies both national and multinational would be covered under the survey.

Visit of German Delegation to the Chamber

A German Business Mission visited Bangladesh from 19 – 26 May, 2006. The visit was organized by German Asia-Pacific Business Association and sponsored by the Federal Ministry of Economics & Technology, Germany. The delegation visited the Chamber on the 22nd May 2006 and exchanged views with the members. Both the parties emphasized on development of mutual cooperation. The Chamber members highlighted the potential investment climate existing in the country. The team expressed keen interest to invest in textile and other sectors in Bangladesh.

EXPORT COMPETITIVENESS: MEETING WITH THE MINISTER FOR COMMERCE

The Chamber Committee made a review of the strategic options for addressing the challenges and opportunities for textiles and clothing sectors in the wake of expiry of the Multi Fibre Arrangement. It firmed up several proposals to meet the emerging challenges, which were submitted to the Minister for Commerce when he was invited to the Chamber on the 30th August 2005 along with the Secretary, Ministry of Commerce and the Vice-Chairman, Export Promotion Bureau. In the address of welcome, the Chamber President highlighted the growing challenges on the export front and pointed out that unless the country's export grew by 40% per annum, it would be difficult to remain in the present level of development. The export thus must increase by 200% by the 2010, for which, all-out efforts were required including the requisite policy and infrastructural support to increase the export of new items and to find out new products in the export basket.

The components of the requisite policy support were enumerated in detail, also covering monetary, fiscal and tariff related issues. It was further pointed out that infrastructural facilities like adequate supply of gas and electricity and efficient port services are equally necessary to help competitiveness of the country's export items.

The Minister in his speech agreed with all the points raised in the Chamber President's address and assured that these would be given due consideration at the Export Promotion Council and other inter-ministerial fora.

DOLLAR SCARCITY: THE CHAMBER'S PROPOSALS

The Chamber Committee considered the scarcity of US Dollar in the country in July-August 2005 and approved a paper giving short-term and long-term measures as to how the foreign exchange scarcity should be tackled by the central bank. In the paper, concern was expressed over inability of some banks to honour their letter of credit obligations due to lack of access to foreign currency. It was pointed out that overseas

exporters and their bankers would see this and would watch. If the creditworthiness of the country's importers and more particularly the country's financial institutions were undermined in the international arena, then there would be serious implications in the country's ability to secure future import requirements. The affected banks would have to pay more to secure increasingly expensive foreign bank confirmations for L/Cs.

Thereafter, a Chamber delegation met the Governor, Bangladesh Bank and handed over the paper to him.

REDUCTION OF TRADE IMBALANCE WITH THE PEOPLE'S REPUBLIC OF CHINA: VISIT TO YUNNAN PROVINCE

As a part of its policy priorities, the Chamber sent a delegation to China to meet the government and business community and impress upon them the need for more imports from Bangladesh so as to reduce the huge trade imbalance between the two countries.

At the invitation of the Governor of the Yunnan Province of China, the then President of this Chamber Mr. Kutubuddin Ahmed led the Chamber's delegation, which consisted of the Vice-President, several members of the Committee and the Secretary-General, in the second week of December 2005.

The visit provided opportunities to hold meetings with the Governor of Yunnan Province and the Vice Governors of Dehong and Ruili and the business communities in Kunming and Dehong.

It also provided an opportunity to attend the China-Myanmar Border Trade Fair. In a meeting with the Vice Governor of Ruili, a proposal was made from the Chinese side for similar border trade arrangement with Bangladesh.

In all the meetings MCCI delegation stressed for reduction of trade imbalance between the two countries and in this regard, welcomed the initiative taken by the Chinese Government to provide tariff concession to the Chinese importers who would import some designated products from Bangladesh. Memoranda of understanding (MOU) were also signed with The Yunnan Provincial Chamber of Commerce and Yunnan Fujian Chamber of Commerce. Both these MOUs provided for business promotion in order to develop trade and economic activities between China and Bangladesh. It will be helpful to find market access in China if regular contacts are maintained with these trade bodies.

REDUCTION OF TRADE IMBALANCE WITH INDIA: MEETINGS

The Chamber Committee continued its efforts to impress upon the business community think tanks and a few times, Indian policy makers, on the need for more imports from Bangladesh so as to reduce the trade imbalance between the two countries. Jointly with the Confederation of Indian Industry (CII), several meetings were held on issues, which

would facilitate flow of more exports from Bangladesh. These included identification of non-tariff barriers, relaxation of the rules of origin, quality certification of the export products from Bangladesh, etc. Several delegations along with the representatives of the CII met the Indian Finance Ministry, Customs authorities and also physically visited the border trading outposts in Benapole and Petrapole.

The Chamber compiled the sensitive lists, which were being negotiated by the two countries in the Committee of Experts under SAFTA. The Chamber also held several follow-up meetings with the officials of the Ministry of Commerce, Government of Bangladesh.

REVIEW OF THE ECONOMIC SITUATION:

The Chamber Committee continued to review the economic situation every 3 months.

The reviews based on comparative data highlighted different aspects of the economic performance. Most of these were picked up by the press and commented upon editorially in a few papers. The reviews helped Chamber to remain in the forefront on discussions/inter-actions with the Government, think-tanks, civil society organisations and others including the press.

WEEKLY HOLIDAY: NO CHANGE

The Chamber along with other trade bodies and the Bangladesh Employers' Federation, made a representation to the Government for changing the weekly holidays from Friday and Saturday to Saturday and Sunday so as to ensure uniformity of weekly holidays with those of other countries in the globalising market.

The issue was discussed with the Prime Minister when an MCCI delegation under the new President, Mr. Latifur Rahman met the Prime Minister but no decision was taken by the Government for the change.

CHAMBER HOLIDAYS, 2006

As in the past, the Chamber Committee finalised the Chamber holidays during 2006. Thereafter meetings were held with the Establishment Division of the Government to ensure uniformity, as far as possible, between the Government holidays and the Chamber holidays.

SHORTAGE OF GAS SUPPLY

The Chamber Committee discussed at several meetings, the shortage of gas supply and the low pressure in different industrial belts, which affected generation of electricity from the gas-based standby generation facilities.

The Committee sent a delegation to meet the Minister of State, Energy and Mineral Resources Division of the Ministry of Energy and Mineral Resources and discussed the short-term and long-term measures, which needed to be taken to overcome the aggravated energy crisis in the country. The delegation also requested the Minister to ensure requisite pressure of gas in important industrial belts so that it became possible to operate the gas-based standby generators.

Following the meeting the gas pressure in some industrial belts around the capital improved so as to facilitate the standby generation facilities.

IMPORT POLICY

The Chamber Committee reviewed the proposed Import Policy and made several proposals as shown briefly below:

Amendment/Modification/Deletion of some existing clauses of the Import Policy -

- (1) Restriction on source of imports (excluding, Israel, which will be contrary to the WTO frame-work)
- (2) Shipment of goods by Bangladesh flag carriers
- (3) Import through L.C.A. form without opening letter of credit
- (4) Import of spare-parts up to 25% duty free when capital machinery were imported.
- (5) Requirement to obtain standardisation certificate from the BSTI for import of certain specified goods.

REVIEW OF THE SAARC SUMMIT DISCUSSIONS: ECONOMIC AND TRADE RELATION

The Committee reviewed the economic and trade promotion decisions taken at the 13th SAARC Summit held in Dhaka on the 12th-13th November 2005.

The Committee noted the decision of the heads of governments of the SAARC countries to make SAFTA effective from the 1st January 2006 and wondered how the negotiations could be completed within the short time available. As decided by the Committee, the President and the Secretary-General called on the Commerce Secretary to discuss the practical problems and at the same time to request him to accept the detailed proposals firmed up by the Free Trade Group, which was earlier set up in pursuance of the Ministry of Commerce's decision.

The President and Secretary-General discussed the issue and explained to him the salient features of the recommendations and also handed over a copy to him. They also mentioned that the crucial importance of the rules of origin, which the FTG finalised as

change in tariff heading (CTH) + 40% value addition for the developing countries, CTH +30% value addition for the LDCs. The issue of revenue loss was also raised and the recommendations finalised by the FTG in this regard were mentioned.

NEW GUIDELINES OF THE S.E.C.: MEETING WITH THE SEC

The Committee reviewed the new guidelines finalised by the Securities and Exchange Commission (SEC) with regard to Independent Directors, Audit Committee, etc.

As recommended by the Commercial Legislations Sub-Committee, several comments were finalised on the under mentioned issues:

- (1) Board of Directors
- (2) Shareholding of independent non-shareholder Directors
- (3) Chairman of the Board and Chief Executive
- (4) The Director's Report to Shareholders
- (5) Audit Committee
- (6) Submission of Statement on Compliance Requirements.

As decided by the Committee, a delegation met the Securities and Exchange Commission's Chairman and other high officials and submitted the proposals. The SEC later made amendments to the relevant Circular in accordance with the points submitted by the Chamber.

FAILURE OF WTO MEETING IN HONG KONG: CONTINUATION OF CONCESSIONS FOR THE LDCS

The Chamber highlighted the need for continued dialogues at different levels and with different groups of countries to limit the setback arising out of the failure of the WTO's Ministerial Meeting in Hong Kong. The Chamber met the Minister of Commerce and thereafter, requested the International Chamber of Commerce - Bangladesh to hold a meeting, which they kindly did. At that meeting, heads of different trade bodies, social leaders, think tanks and other were present. It was stressed by all that the concessions granted to the LDCs under the Doha Round Should not be discontinued.

MONEY LAUNDERING ACT:

The Chamber Committee met the Governor and other high officials of Bangladesh Bank to ensure that the tasks given to Bangladesh Bank under the Money Laundering Act were not taken over by the Ministry of Home Affairs as reported in the press. The Chamber moved the issue with the Ministry of Law, Justice and Parliamentary Affairs to maintain status quo, following which, no more was taken to amend the Money Laundering Act.

BUDGET FOR 2006-2007:

The Chamber Committee approved the proposals for the budget for 2006-2007 prepared by the Chamber Secretariat. A memorandum containing 23 proposals on income tax, 16 proposals on customs and 13 proposals on VAT along with the suggestions given in the introductory portion was submitted to the Ministry of Finance. These points were later discussed with the Chairman and Members of the National Board of Revenue.

In the introductory portion, it was pointed out that the next budget be considered in the context of the prevailing macro-economic situation and the challenges faced by the trade and industry, such as acute shortage of gas and electricity, spiralling input cost and growing competition in the wake of the WTO Agreement as well sub-regional free trade agreements (FTAs). The proposals stressed readjustment of fiscal policy to help trade and industry attain competitiveness, maintenance of fiscal balance and macro-economic stability to sustain economic growth and social improvement, for which the Government needed to be fully committed to some measures like cutting down the revenue expenditures, implementing the ADP with the emphasis more on quality than on the size, controlling the inflation rate, etc.

The Chamber also suggested that the Government must limit borrowings from the banking sector, tax holiday should be continued and greater efforts should be made to raise non-tax revenue. Besides, the Government's budgetary resources could be substantially increased by improving the performance of SOEs and reducing their losses. It was proposed that the prevailing subsidies on fertilizer, electricity and diesel used in the agriculture sector should continue.

Finally, the Chamber emphasised for decisions on two sensitive areas – one relating to the adverse effect on local industry on account of cascading effect of tax on tax and the other relating to discretionary powers of tax officials. For better compliance and better revenue collection, removal of such discretionary powers of tax officials was necessary, the Chamber added.

COMMENTS ON THREE DRAFT ACTS ON INSURANCE:

The Committee finalised proposals, jointly with Bangladesh Insurance Association, on three draft Acts on Insurance – (1) The Insurance Act, 2005, (2) The Takaful Act, 2006 and (3) The Insurance Regulatory Act, 2005 – as sought by the Ministry of Commerce. The Chamber suggested that to avoid operation of two types of insurance companies Takaful insurance might be made operational under the Insurance Act, adding a separate chapter for Takaful business.

COMMENTS ON THE PROPOSED MONETARY POLICY STATEMENT OF BANGLADESH BANK:

The Bangladesh Bank sent its proposed Monetary Policy Statement to the Chamber for comments.

The proposed Policy Statement sought curbing of domestic credit growth by 4.1 percentage points by June 2006 so as to ease the inflationary pressure, reducing the private sector credit growth by 3.3 percentage points from 17.2 percent in September 2005 to 13.9 percent in June 2006, reducing the credit growth to Government and public sector to 26.5 percent and 29.4 percent respectively by June 2006.

The Committee observed that though the Policy statement proposal was a welcome move because advance information would be available on sensitive monetary issues but its basic approach of controlling inflation by decreasing the money supply was not well-advised. The Committee pointed out that in Bangladesh, rising prices were not caused by increased demands but more by inadequate supply, hoarding, profiteering, etc. In such circumstances, contractionary monetary policy would only increase the cost of borrowing and thereby cost of doing business.

The Policy Statement also did not set any inflation target, which would be acceptable to the central bank. Unofficially, it was said that IMF felt inflation should be limited to 7%.

The Committee suggested that Bangladesh Bank should hold meetings with the private sector trade bodies and adjust the strategy which would help investment and production in the short and medium terms.

BANGLADESH BANK'S PROPOSED GUIDELINES ON DEBT-EQUITY RATIO FOR PROJECTS: CHAMBER'S COMMENTS:

The Committee finalised the comments of the Bangladesh Bank's proposed Guidelines on Debt-Equity Ratio for Projects seeking large loans from banks and financial institutions.

The proposed guidelines sought among others –

- (1) Reduction of the entrepreneurs' dependence on bank borrowings and make greater use of the capital market for raising funds.
- (2) The borrower must be a public limited company and must have a minimum credit of triple 'B' from a recognised rating institution.
- (3) It must have a minimum credit risk grading having a score of 75-84 in terms of the Credit Raising Rating Manual issued by Bangladesh Bank in December 2005.
- (4) Loan exceeding Tk.25 crore will be defined as "large loan".

The Committee discussed the proposed Guidelines and decided that the Bangladesh Bank should discuss the same with trade and industry, particularly with this Chamber. If necessary, finalisation of the Guidelines should be delayed by 3 months. In the meantime, the Chamber's counter-proposals for the Guidelines should be submitted.

The Chamber's counter-proposals were since prepared and handed over to the Deputy Governor, Bangladesh Bank.

In its comments, the Chamber Committee observed that the proposed Guidelines would slowdown access to project financing and would act as a barrier to raising of funds, which would have a negative impact on the country's industrial growth.

The Committee pointed out that a mandatory IPO requirement based on the project size might act as a disincentive to the entrepreneurs. Presently, the capital market performance had been affected by low investor's confidence. In this situation, making it mandatory to float share for large projects would not necessarily result in upward movement of the capital market performance. Rather, such a measure might act as a "disincentive" to the entrepreneurs seeking to implement large projects. Besides, in free market economy, the decision whether to pursue an initial public offering should be left to the promoters/entrepreneurs and should not be forced upon them by any regulatory body.

It also observed that limiting the debt-equity ratio was a good credit risk management, which should be followed by all prudent banks and financial institutions. Further, the Chamber did not believe that it would be prudent to lay down explicit debt limits for projects as it was the responsibility of the banks. Optimum debt-equity ratio for a particular project depended on a number of factors including the change of economy cycle, industrial dynamics, business risks, technological change, cash flow patterns, etc. Besides the Chamber wanted the definition of "large loan" should be raised from Taka 25 crore as mentioned in the proposed Guidelines to Taka 100 crore. There were several other observations in the letter which was handed over to the Governor, Bangladesh Bank.

CHITTAONG PORT: CONGESTION

During the period, the Chamber Committee discussed several times the congestions at Chittagong Port for different reasons.

As decided by the Committee, meetings were held with the Chairman, Chittagong Port Authority and then, with the Minister for Shipping, where it was urged that the port's efficiency must be improved and for that purpose, technical inadequacies like absence of gantry cranes should be resolved at the earliest, failing which, the port itself would be affected and in the process, the country's export competitiveness would be put in jeopardy.

With regard to the labour unrest and the pressures of some political elements on operational issue, the Chamber urged for taking strong measures so as to avoid disruptions of movement of export cargo. The issue was also submitted before the Prime Minister.

POLITICAL UNREST: IMPACT ON THE ECONOMY

The Chamber Committee discussed several times the situation arising from political unrest and enforcement of 'hartals'. Individually as well as jointly with other like-minded trade bodies, several representations/meetings were held to request the Government as well as the opposition parties to avoid confrontational politics as the country's trade and industry, particularly small entrepreneurs were badly affected.

Regrettably, such representations did not yield the desired improvement in the over-all situation.