

# The second invasion of Lebanon

## LETTER FROM AMERICA

**Experts believe that American foreign policy in the Middle East gave rise to Al Qaeda. God knows what new terrorist groups are hatching because of American invasion of Afghanistan and Iraq, and America's unconditional support for Israel's questionable actions. Israel, too, has used force before without positive outcome. Its suppression of the Palestinians gave rise to Hamas and Islamic Jihad twenty years ago. Its invasion and occupation of Lebanon in 1982 spawned Hezbollah. Yet, it invades Lebanon again. God knows what terrorist group Israel's destruction of Lebanon will spawn.**

DR. FAKHRUDDIN AHMED

**T**HE second invasion of Lebanon in twenty-four years should be a lesson to small and militarily weak nations all over the world. If a small and defensively weak nation believes that it will be spared invasion by a powerful neighbour because it harbours no ill-will towards that neighbour, it should think again. As Israel pulverizes the militarily weak Lebanon, every small nation must learn the lesson that weakness invites aggression, and build up its military deterrence capabilities against powerful would be aggressors. It is absolutely clear that the

kidnapping of the two Israeli soldiers by Hezbollah was the perfect pretext for the Israeli plan to destroy the infrastructure of the Lebanese nation. Knowing full well that its three soldiers will be safe (Palestinians and the Lebanese have previously exchanged Israeli captives for their prisoners in Israeli jails), Israel has carried out such wanton destruction in Lebanon that UN emergency coordinator, Jan Egeland, cited Israel for the breach of humanitarian laws.

Latest estimates put Lebanese civilian deaths due to Israeli bombing close to 400, with thousands injured, and Israeli deaths due to Hezbollah rocket attacks at 37 with

many more injured. It is now clear why Israel bombed Lebanon's military installations; to smooth the way for its ground invasion now underway. The Bush administration will give Israel as much time as it needs to "get the job done," a euphemism for destroying as much of Lebanon as Israel wants.

Time magazine's Andrew Lee Butters reported on CNN that Israel selectively bombs West Beirut, which is predominantly Muslim, and leaves predominantly Christian East Beirut unscathed! So far, according to UN estimates, over 500,000 Lebanese civilians have been displaced from their homes; Lebanese sources put the number

at millions. A Lebanese American friend told me that his family in Tripoli left their homes and took refuge in the mountains to escape Israeli bombing. Lebanese properties worth billions and billions of dollars have been decimated. All this for the kidnapping of two Israeli soldiers, which the Lebanese government had no knowledge of and had condemned? You got to be kidding me!

What is the Bush administration's reaction to all this? According to a front-page headline in The New York Times on July 22: "The Bush administration is rushing a delivery of precision (satellite)-guided bombs to Israel, which requested an expedited shipment last week after beginning its air campaign against Hezbollah targets in Lebanon." Israel needs bombs as urgently as Melinda Marcos needs shoes! Yet, as those laser and satellite guided missiles were being rushed to Israel, President Bush warned Syria and Iran not to fund Hezbollah to buy the vintage WW II unpredictable Katyusha rockets. Mr. Bush also

pledged the Shia-Sunni card. According to Newsweek, Mr. Bush phoned the Sunni leaders of Egypt, Saudi Arabia and Jordan and con-

vinced them not to blame the Israeli bombing, but to blame Shia Hezbollah directly and Shia Iran indirectly. They dutifully obeyed.

In Mr. Bush's simplistic and naive world of "cowboy diplomacy," things are either black or white. He labels nations evil or good, and believes that his categorisation makes them so. By his nomenclature, Israel, which many nations in the world accuse of state-sponsored terrorism, and America are the good guys and can do no wrong, and Iran, Syria, Hamas and Hezbollah are the bad guys who must be avoided and punished. He refuses to acknowledge that the organisations and nations he despises can have any legitimate grievances. Case in point: Mr. Bush refused to meet with the late Yasser Arafat.

As Robert Malley points out in Time (July 24), Mr. Bush's thinking is "that isolation, ostracism and if need be, sanctions are more likely to get troublesome actors to change their ways. And so the list of diplomatic outcasts only grows. Today, the US does not talk to Iran, Syria, Hamas, the elected Palestinian government or Hezbollah. And as the violence in the region clearly shows, that has hardly been cause for moderation."

The Bush administration does not believe in rewards for good behaviour, other "than avoiding retribution if they do not," Malley adds.

The American president has enormous power. Wielded unwisely, it can do America enormous harm in the long term. Without any ideas of his own, Mr. Bush followed the agenda the neo-conservatives gave him: pre-emptive strike on perceived enemies, regime change and forcible installation of democracy in the Middle East. Any intelligent person can always list a litany of mistakes he has made. In a New York Time Magazine article few months back, neo-conservative theorist, Francis Fukuyama of Johns Hopkins admitted that the neo-con thinking was wrong. Not so, President Bush. Unfortunately for America, Mr. Bush refuses to acknowledge that he ever makes mistakes.

With the exception of conservative commentator Pat Buchanan, who criticizes Israel and defends America's interest, almost every politician, columnist, television commentator, blogger and radio talk show host are cheerleading for Israel, oblivious of the ill-will America may garner for champion-

ing what many consider Israel's atrocities in Lebanon. To their credit, in the letter to the editor columns of newspapers, many ordinary Americans are speaking out against Israel's excesses. While the gentiles spinelessly toe Israel's line, several brave, young Jewish Americans have defied their community and demonstrated against Israel's invasion of Lebanon and Gaza!

Only fools expect different results from doing the same thing over and over again. Uncomfortable with diplomatic niceties, President "I don't do nuances" Bush's instinct it to oversimplify, take sides, threaten and invade. America under Bush has invaded Afghanistan and Iraq. Are those two countries better now? Has the number of "terrorists" dwindled? Is America safer? Experts believe that American foreign policy in the Middle East gave rise to Al Qaeda. God knows what new terrorist groups are hatching because of American invasion of Afghanistan and Iraq, and America's unconditional support for Israel's questionable actions.

Israel, too, has used force before without positive outcome. Its suppression of the Palestinians gave

rise to Hamas and Islamic Jihad twenty years ago. Its invasion and occupation of Lebanon in 1982 spawned Hezbollah. Yet, it invades Lebanon again. God knows what terrorist group Israel's destruction of Lebanon will spawn.

As The New York Times columnist Nicholas Kristof pointed out in his July 23 column, overwhelming force does not ensure peace, only patience does. Kristof gives examples of how tolerant the British were with the IRA and the Spaniards with the Basque separatists. Both nations have been rewarded with peace for their patience. The only two neighbours Israel enjoys peace with are the nations it has signed peace treaties with: Egypt and Jordan. It should do the same with the Palestinian government, even if Hamas is in power, and with Lebanon, even if Hezbollah is in the ruling coalition. Of course to conclude a peace treaty with Lebanon, Israel must vacate Lebanon's Sheba farms and pay compensation for the havoc it has wrought on the Lebanese people. For peace with the Palestinians, Israel must dismantle the illegal Jewish settlements on the West Bank and withdraw behind the 1967 border.

# Has Israel been trapped by Hezbollah?



HARUN UR RASHID

## BOTTOM LINE

**Against this background, the US and the European Union need a new strategy to deal with the pending issues in the Middle East. Military solution to political disputes is most inappropriate, and the sooner the parties sit at the table for dialogue the smoother will be the path toward stability and peace. The 16th century astrologer, Nostradamus, predicted that the third World War might begin from the Middle East. I hope he was wrong.**

**I**SRAEL always considers military solutions for political disputes because it has military muscle with the active support of the US. This had worked in the past but it seems that it may not work this time. Israel has illegally occupied Palestinian lands since 1967 and has not complied with the Security Council resolution of 242 which called for withdrawal of its forces from the occupied lands. The defiant conduct of Israel was supported by the US.

This time Israel needs to be careful about armed conflicts with Hamas in Palestinian Authority and Hezbollah in Lebanon. Both the US and Israel consider them "terrorist organisations" but representatives of these two very organisations were elected by the people. Hamas is leading the Palestinian Authority, while the Lebanon government depends on Hezbollah MPs for its survival. Lebanon's political architecture is based on representations on religion-grouping. That means politics is not separated from religion. Hezbollah has been a significant factor in the political system.

By attacking and killing hundreds of civilians in the Gaza and in Lebanon Israel does not advance its goal, which is the release of its soldiers abducted by Hamas and Hezbollah. Israel does not seem to realise that it is fighting a war which it may not win. For an organisation such as Hezbollah, it does not need to win but just to stay in place.

Israel's goal, with the support of the Bush administration, is to weaken Hamas and Hezbollah, while denying them opportunities to rally broader Arab support. But they do not seem to realise that underly-

ing this conflict is a struggle for regional balance of power between the US and Israel on the one hand and Iran and Russia on the other.

There are certain complexities in the situation and some of them deserve mention:

First, the timing of the Hezbollah attack coincided with the meeting of G-8. The G-8 leaders were distracted from their main agenda because of the conflict. More importantly Iran's program of nuclear proliferation, which would have been on top of the agenda, was totally sidelined. It was a diplomatic coup for Iran.

Second, the traditional pro-US Arab countries failed to do anything about the conflict in which hundreds of Arabs were killed, including women and children, and their role has been completely marginalised. This has resulted in the growing popularity of Hamas and Hezbollah that could stand up before Israel and the US.

Third, the conflict may radicalise politics in the Middle East because the leaders of the 21 Arab countries seem to have mutely voiced concern about the Middle East conflict. Where is the Arab League? What is its influence on the US in stopping the conflict? It is reported that the US does not want a ceasefire because Israel said "don't intervene."

The US Secretary of State was scheduled to come to the region to seek a resolution but her visit was deliberately delayed because of Israel's wish. Israel thinks that it is too early to contemplate a ceasefire and derided the role of the UN forces. Israel's goal is to destroy Hezbollah. The question is: Can they do it?

Fourth, Iraq condemned the

Israeli armed aggression and it may not be music to the ears of the US. The US considers Iraq as an ally, but the condemnation by the Shiite Prime Minister Nour al-Maliki demonstrates that Iraq has been under the influence of Iran. This is what the Bush administration wanted when it invaded Iraq in 2003 as "liberators" of the Iraqi people. Within three years, Iran's influence on the Shiite Iraqi government seems to be unshakable. It appears that the foreign policy of the Bush administration in the Middle East is on the verge of ruin.

Fifth, Israel thought it could walk over Hezbollah militarily but the sophisticated and long-range weapons used by Hezbollah in Israel's territory surprised both Israeli and US intelligence agencies. They seem to have no clue about the acquisition of these weapons by Hezbollah. Both Israel and the US allege that these weapons were acquired by Hezbollah from Syria and Iran.

Sixth and finally, Russia has been a supplier of weapons to Syria and nuclear reactors to Iran, much to the chagrin of the Bush administration. Russia, under President Putin, has used oil and gas diplomacy at its best for national interests. Five years ago Russia was a weak country, but now Russia, with the wealth of soaring prices of gas, and being a major supplier of gas to the European Union, can afford to have views independent from the US and has asserted itself in the G-8 meeting. Cooperation with the US has become an exception on a range of issues.

Israel and the US do not appear to see the different underpinnings of the current conflict in the Middle East from the past. What we see

today in the Middle East is not a traditional armed conflict but an intention to redraw the balance of power in the region. From Beirut to Tehran, there is a "Shiite Arc" of influence and the Sunni Arab countries are feeling the pinch of it. War is raging from Beirut to Kabul and the perception is that the war is against the Muslims.

Iran has been regional power for sometime but it has now asserted itself. No amount of threat or cajoling from the West can persuade Iran to respond before August 22 to the European incentive to halt its nuclear enrichment program. Some say that the West is in for a big surprise after August 22.

Furthermore, Russia's relations with the US are now characterised by a growing number of disagreements, and at the summit of G-8 it was palpably clear that Russia does not see events in the Middle East, or elsewhere, through the same prism as the US does. Russia wants to play its role in the Middle East and cannot be sidelined.

Against this background, the US and the European Union need a new strategy to deal with the pending issues in the Middle East. Military solution to political disputes is most inappropriate, and the sooner the parties sit at the table for dialogue the smoother will be the path toward stability and peace. The 16th century astrologer, Nostradamus, predicted that the third World War might begin from the Middle East. I hope he was wrong.

Baristar Harun ur Rashid is a former Bangladesh Ambassador to the UN, Geneva.

# ACC needs to act



M ABDUL LATIF MONDAL

## BARE FACTS

**The ACC has to cross the hurdles to move forward with whatever manpower and logistics it has at the moment. People have pinned their hope on the ACC to act as a watchdog against unbridled corruption in the country and they want the commission to help remove the nation's stigma as the most corrupt nation for five consecutive years. In order to move forward, the members and the staff of the ACC have to forget the conflicts and confusions of the past and work in unison.**

**T**HE Daily Star of July 15 carried a front-page report which said that the Anti-Corruption Commission (ACC) organogram approved by the government had rendered the commission "dysfunctional" as it did not allow appointment of at least 50 percent staff of the abolished Bureau of Anti-Corruption (BAC) screened by the commission. Expressing his dissatisfaction over the new organogram, the chairman of the ACC said that they would send a letter to the cabinet division urging it to amend the approved structure.

After three years of BNP-led coalition rule, the ACC was formed in a haphazard manner in November 2004. During its existence for one year and eight months, the ACC has hardly been functional due to various hurdles faced by it.

First, immediately after the establishment of the ACC, there arose a tussle between the commission and the government over the appointment of the secretary to the commission. Although the law establishing the ACC gave it full authority to appoint its secretary, the government, without consulting the ACC, appointed one retired additional secretary as secretary to the commission. This was resisted by the commission at the cost of deterioration of its relationship with the government.

Second, through a government notification of December 2004, the commission was attached with the cabinet division which, in fact, became the controlling ministry/division of the commission. This struck at the root of the independence of the commission.

Third, while the tussle over the appointment of the secretary to the commission was going on, the

cabinet division in a circular issued in January, 2005 announced the defunct BAC staff as government's reserve employees and asked them not to work for the commission until rules and regulations were framed. They were threatened, in yet another letter, with disciplinary action if they worked.

Fourth, after a period of 20 months since the establishment of the ACC, the National Implementation Committee on Administrative Reforms (NICAR) in its meeting on June 6 approved an organogram of 650 posts, which was prepared unilaterally by the government, instead of the ACC proposed structure with 1,376 posts. A chaotic condition has been prevailing at the ACC due to the new structure.

Fifth, the Act establishing the ACC provides that, for carrying out the purposes of the Act, the commission may make rules with the prior approval of the president. The recruitment rules submitted to the government for obtaining approval of the president are known to have been returned by the government to the commission for revision. The ACC cannot go for recruitment to its sanctioned posts without recruitment rules.

Last, but not the least, a Dhaka daily (The New Nation) reported on July 22 that the ACC was in a fix as it had received contradictory directives from the government and the Asian Development Bank (ADB), the key funder. The ADB in a recent letter demanded that the ACC should constitute a placement committee to examine the candidates before placing them to different positions in the commission.

The law ministry, on the other hand, informed the cabinet division that formation of such a committee

would be illegal, and that if such a committee had been formed it should be dissolved. This has created a hurdle for placement of screened ex-BAC staff against the posts in the approved organogram.

The ACC has been established to help eliminate corruption from the administration and the society at large. But the hurdles that the ACC has been facing since its establishment corroborate the people's perception that certain quarters are very active to make the commission inactive. It may be mentioned that a top official of the World Bank recently termed the ACC a "joke" and urged the government to make the institution effective in the combat against corruption.

Furthermore, while the BNP-led alliance government is not interested in an effective ACC, the opposition political parties, including the main opposition AL, are also not pressuring the government to render the ACC necessary assistance and co-operation to make it effective. This gives credence to the perception that political parties, whether in power or in opposition, do not want a strong and effective anti-corruption watchdog.

The ACC has to cross the hurdles to move forward with whatever manpower and logistics it has at the moment. People have pinned their hope on the ACC to act as a watchdog against unbridled corruption in the country and they want the commission to help remove the nation's stigma as the most corrupt nation for five consecutive years.

In order to move forward, the members and the staff of the ACC have to forget the conflicts and confusions of the past and work in unison to achieve the stated objec-

tives of the organisation.

Secondly, the ACC should set down its short and long-term plans to work out the modalities and implement programs to eliminate corruption.

Thirdly, the law has granted the ACC sufficient authority to proceed against the corrupt elements in the society. While doing so, the ACC must not differentiate between the corrupt elements in the ruling party/parties and the opposition.

Fourthly, there are three main actors in the high corruption drama of Bangladesh and they are the politicians, public servants, and big businessmen. While the corruption of the politicians and the public servants is a widely discussed issue, the corrupt elements in the private corporate sector generally receive less focus. The commission should squarely deal with the corrupt elements in the public sector as well as in the private sector.

To conclude, if the ACC can catch the corrupt top brass in politics, bureaucracy and private corporate sector, it will receive the support of the people and the development partners. In that case, whichever political party or alliance wins the next general election and forms the government, it will have to give necessary assistance and support to make the ACC really effective. Making the ACC really effective and truly independent should be in the manifestoes of the political parties/alliances, particularly the major political parties/alliances, contesting the forthcoming parliamentary election.

M. Abdul Latif Mondal is a former Secretary to the government.

# Forget about taxing corporate profits!

## Collect taxes on corporate sales

**In the highly corrupt context of Bangladesh, the fairer tax is the one which is harder to evade. At present, tax evading companies have a big advantage over law-abiding competitors. Tax evaders retain more profit in good years, making them more likely to survive the bad years. If we continue the failed system of taxing profits, all the corporate taxpayers in Bangladesh may eventually be driven out of business by their tax-evading rivals.**

ZAHIN HASAN AND ANDY MCCORD

**E**VERYONE in South Asia complains about the quality of public services, and everyone understands that schools and hospitals will not improve until teachers and doctors are paid living wages. The problem is that wages of government employees cannot be dramatically improved until tax collection is dramatically increased. But where can governments find taxes to collect? Salaried workers are so few that income taxes on personal income cannot be sufficient.

In Bangladesh, most people are subsistence farmers with no taxable income. Large private compa-

nies are the largest potential sources of tax revenue. However, Bangladesh does not do a good job of collecting income taxes from companies. Our tax rules (modeled on Western rules) require profitable companies to pay a certain percentage of their annual profits to the Treasury as tax. This system works in countries where government officials are less corrupt. In Bangladesh this system has failed because companies here (in complicity with corrupt government officials) can falsely declare a very low level of profits in order to pay a very low level of tax. It is time to admit that the Western model of corporate taxation is not working in Bangladesh, and to replace it with a system which works.

The problem with the current system is that companies can easily manipulate their accounts to declare whatever profit or loss they desire. The solution is obvious: tax companies on the basis of their sales receipts, not on the basis of their declared profits. Though it is easy to conceal profits, it is nearly impossible to conceal sales receipts. We should abolish taxes on corporate profits, and replace them with taxes on corporate sales receipts.

Small businesses, such as small retail shops, usually receive their sales receipts in cash, and hold onto the cash until they need to spend or invest it. However, a large company may receive millions of Taka every day as sales receipts.

The only realistic way to protect such large amounts of cash from theft is to deposit the money into company bank accounts as promptly as possible. Less cash lying around the office means that less cash can be stolen.

As all companies deposit sales receipts into their bank accounts, collecting sales taxes would be extremely easy. The government need only make rules requiring banks to deduct a fixed percentage of all sales receipts deposited by each corporate client. At the end of each month, the banks could deposit the collected funds to the Treasury on each company's behalf. In other words, banks could be made to collect sales taxes from their corporate clients. Corporate tax collection would then be accomplished without any direct interaction between government officials and the companies being taxed. Corrupt officials could no longer help companies evade taxes.

A numerical example may clarify this. Suppose that Company X has sales receipts of 1 billion Taka (about 14 million US\$) every year, and that their profit is 100 million

Taka (10% of sales). If they declared profit of 100 million Taka they would be liable to pay 40 million Taka as tax. However, they are only declaring 10 million Taka profit and paying 4 million Taka as tax. If the 40 percent tax on profits were replaced by a 4 percent sales tax collected by Company X's bankers, Company X would have 40 million Taka deducted from its deposited sales receipts.

Many would argue that sales taxes are unfair, as they are actually paid by consumers. There is some truth to this: if the 40 percent tax on profit is replaced with a 4 percent sales tax, many companies will increase their sales prices by 4 percent. However, companies which are already paying taxes on their true profits will not raise prices: the sales tax will replace the income tax which they are already paying. On the other hand, companies which are currently evading taxes on their profits will probably raise their prices to cover the sales tax.

It is important to realize that companies see all taxes (whether import duties, income tax, or sales tax) as costs of doing business. So in the end, all taxes paid by compa-

nies are passed on to consumers in the form of higher prices. This does not mean that companies should not be taxed.

The government's objective should be to tax companies in a fair manner. Large companies are fair users of government services. They are the largest consumers of power, the biggest beneficiaries of roads, highways and bridges. And if necessary government services to the public could be fully funded, big companies would benefit greatly from the higher productivity of a healthier and better educated work force. From this perspective, sales taxes make perfect sense, as larger companies will have to pay more in sales taxes.

In the highly corrupt context of Bangladesh, the fairer tax is the one which is harder to evade. At present, tax evading companies have a big advantage over law-abiding competitors. Tax evaders retain more profit in good years, making them more likely to survive the bad years. If we continue the failed system of taxing profits, all the corporate taxpayers in Bangladesh may eventually be driven out of business by their tax-evading

rivals.

Tax revenue in Bangladesh's tax revenue is mainly raised through tariffs and VAT levied on imports. In the 2005 fiscal year (July 04 to June 05), total receipts from taxes on imports were 151 billion Taka (about 50% of the total tax revenue). The total income tax collected during the same period was only 56 billion Taka. Why are import duties so much easier to collect than other taxes? The answer is surprisingly simple.

Imports are normally paid for via letters of credit ("L/C" arrangements between the importer's bank in Bangladesh and the exporter's bank overseas). Import tariffs are difficult to evade because the importers' banks in Bangladesh have transparent records of each import transaction. The banks' L/C records show the exact value of each imported consignment, making it easy to assess the import duties.

As import tariffs are successfully assessed on the basis of banking records, we can confidently predict that taxes on sales receipts will also be successfully assessed on the basis of banking records. Banks

have no incentive to help their clients evade taxes. Interest rates in Bangladesh are high, and banking is a profitable business; banks are motivated by profit and will not knowingly take the huge risk involved in helping their clients evade taxes.

The government has made a commitment to gradual reduction in tariffs on imports. Though this commitment was originally made in response to pressure from the World Bank (which has always argued in favor of trade liberalization), politicians have now realized that lowering import duties on commodities is the easiest way to control consumer price inflation, which has become a major political issue over the last year. As import tariffs are set to fall, it is imperative to find an alternative source of tax revenue which is just as easy to assess. Sales taxes are the only realistic option.

Zahin Hasan is an industrialist based in Dhaka and Andy McCord is a writer based in New York.