Founder-Editor: Late S. M. Ali

Dhaka, Sunday, June 15, 1997 **Tuning in to Reactions**

The new national budget coming with some unprecedented fiscal features has been evocative of predictably moderate to sharp reactions from trade body leaders and front-ranking economists. Finance Minister SAMS Kibria's post-budget press conference with some ministerial heavy-weights by his side on Friday was, therefore, billed to provide not only a stout defence of the budget's principal content but also to clarify some points of confusion arising out of it. The good points of the budget are all so very self-explanatory that they hardly brook any repetition. It is only the contestable elements which merited authentic clarification from the government. The finance minister has defended the development surcharge and the other forms of extended and deepened tax burdens on two grounds: resource mobilisation aimed at poverty alleviation and the simplification and rationalisation of the tax structure. The increased reliance on self-assessment and self-declarationbased tax returns is no doubt a mark of procedural simplification. But simplification should not be equated with blanket, flat-rate imposition of taxes as in the case of surcharge or the VAT. For, the revenue collection challenge with the corruption-related under-cuts to it can be quite formidable with big drives such as are being pictured.

Five points have been put in an altered perspective. First, the new pay scales will be implemented in phases, so that only Tk 700 crore has been earmarked in the current budget for the purpose at this stage. By all calculations, if the pay commission's recommendations have to be implemented in to to, then the total salary bill would be nearly of the order of Tk 2000 billion. We keep an open mind on salary increases to stem corruption and bolster efficiency among the government servants but these should be subject to controlled deficit-financing. Secondly, on being queried about the adverse effect of increased duty on raw cotton imports and reduction of yarn import duties on the textile industry, the finance minister has hinted at a review. Thirdly, it has been claimed that enhanced duty on paper has been resorted to assist the local paper industry which everybody knows is in dire strait like many other domestic industries for whom fiscal support has also been extended. But the protection comes on their death-bed, so to speak. Smuggling has to be checkmated to bolster them. Fourthly, those who own a house or a car or a telephone set need not all be liable to file tax returns if their incomes are not taxable. In the end the finance minister has underlined the priority received by Education under the revenue and development heads over Defence. Three questions remain unanswered: (a) how

are we going to help industrial growth, employment and non-traditional export by imposing tax burden on small and cottage industries; (b) will the losses be offset by micro-credit-based self-employment projects; and (c) will not human resources development lack in substance without a provision for vocational and technical institutes all over the country?

DUCSU Election

It should please all champions of pluralistic politics to hear that the Dhaka University authorities are determined to revive the culture of democratic practice within the four walls of the university. Elections to the students union of the country's premier educational institution with a rich but chequered political legacy have been held in abeyance since 1990 for reasons ranging from political turmoil to reluctance in observing the electoral norms.

The DU VC who informed The Daily Star last Friday of the possible abolition of the extant DUCSU committees to pave the way for fresh elections in about two weeks' time, certainly sounded like a man with commitment to the democratic culture in his utterance that he wanted the Jatiyatabadi Chhatra Dal, the incumbent party, to sit with him for a constructive and cooperative discussion over the issue.

We believe the student front of the opposition BNP which for quite some time now has been resisting the election bid on grounds of the absence of 'a conducive' atmosphere on the campus would do well to end its diffidence and tread in the direction of the VC's offer.

JCD must realise that if it really envisages itself in a milieu of students union, it must submit itself to the electoral verdict of the students. Bangladesh Chhatra League, the student front of the ruling Awami League and JCD's main rival, on the other hand must do everything in its power to congenialise the atmosphere and help the VC forge a consensus among all student groups for an early election.

Mere resistance from the assumption that as a student front of the opposition it may find the electoral challenges somewhat daunting would do JCD no good. In order to ensure that the elections are not tainted by any kind of manipulation, they can and should talk with the VC and if necessary have the electoral code of conduct revved up.

Unfolding Vista

What could be a better launching-pad for a new economic bloc of eight OIC countries due to be formalised through a summit in Istanbul today than the cultural cooperation accord signed by them on Thursday? The auspicious precursor to the grand event for the heralding of a new economic alliance materialised last week-end as the cultural ministers of Turkey, Bangladesh, Pakistan, Iran, Malaysia, Indonesia, Egypt and Nigeria consummated an agreement to hold annual meetings at their level and stage arts and cultural festivals on a rotation basis in their respective countries. Bangladesh has been chosen to hold the first arts and cultural festival of the many to follow in a richly splendoured sequence encompassing brotherly countries in two continents — Asia and Africa. The entire area is a confluence of ancient cultures, Islamic affinities and historical adaptations to secularist and modernist trends.

Nothing binds nations more strongly than intimately knowing each other's culture, drawing strengths from the common facets and admiring and respecting what may not be so common be-

tween nations. The cultural exchange is not merely likely to endear the people of one country to that of the other but also to reinforce economic cooperation based on better understanding of one another and a lively interest shared in the collective development of the member-countries.

Budget 1997-98: An Analytical Look

In its relentless drive for greater domestic revenues, it looks like, this year's budget is going to impoverish the

lower classes of tax payers and hurt the industrial sector, the most dynamic sector of the economy.

INSIGHT

Kabir U Ahmad

The second measure is the jected to tax through their hold-

savers.

HE Finance Minister Mr Shah A M S Kibria presented his second (first of his own) annual budget to the Parliament on 12th June amidst anxieties and expectations. By and large, this year's budget seemed to have reflected the ruling party's electoral pledges and ideological leanings; but, nonetheless, it contained surprises for some and disappointments for some others. Surprises because there were some new initiatives, both good and bad, and disappointments because the economy has been put back on a somewhat protectionist track with too many controls bringing the economy, especially the industrial and trade sectors, in the full grip of bureaucracy again. Some former thrust exportsector like textiles will have a big setback. In its relentless drive for greater domestic revenues, it looks like, this year's budget is going to impoverish the lower classes of tax payers and hurt the industrial sector, the most dynamic sector of the economy. These issues are more

fully elaborated below. The finance minister has said that the budget, was trying to serve five elements of the government's strategy: generation of additional resources by reducing wastage, maintenance of macroeconomic stability. development of the private sector, achievement of export-led growth and achievement of social justice and poverty alleviation. It would be useful to see how far the tax-expenditure package proposed in this year's budget are able to fulfill these

The Macroeconomic background

objectives.

It is important to briefly take a look at the prevailing economic situation in the background of which the budget has been presented. The prevailing inflation rate in the economy. which is considered to be the key indicator of macro-stability, is about 3.5 per cent, tanks to the good weather and the resulting bumper crop. The Taka-Dollar exchange rate is about 43:1 after five successive small devaluations which altogether comes to about 5 per cent. It still seems to be slightly overvalued. The nominal interest rate is in the range of 20-25 per cent taking into account bribes and other underhand payments that a borrower has to pay for getting loans. The real interest rate turns out to be in the range of 16.5-21.5 per cent (after de-

eventually to the tax payers. Again, it is not "social justice" to make the ordinary citizens pay for such a huge amount of money to cover the mistakes of the past governments. It would

ment borrowing from the banking sector over the last six for these sicknesses. months or so which has crowded out the private sector demand for loans. Further it has contributed to the slowing down of the county's industrial growth in recent months. This is one of achilles' heels, as it were, in the economy which has

overspending. The GDP growth rate has been reported to be about 5.7 per cent over the last 10 months. the industrial sector growth in the same period has declined to about 3.6 per cent from over 10 per cent until last year, and the external reserve has come down from about \$2 billion to about

\$1.6 billion now.

resulted from the government's

ducting the inflation rate from

the nominal rate) which is ex-

orbitantly high and has been

hurting the private sector in-

dustries severely. This has re-

sulted from the heavy govern-

There are, in addition, the decade-old sicknesses of the financial sector which has been suffering from "loan-defaults culture" largely developed in the profligate decade of the 1980s. Over \$3.2 billion is stuck there out of which, according to some published estimates, about 30 per cent is owed by the government and the public sector corporations. The sickness of the financial sector is not only with the "default culture" of the private borrowers, who should have been punished severely from non-payment, but also with the public sector as whole. The government has been infusing fresh capital every year into the banking system to save it from bankruptcy the burden of which is eventually borne by the poor tax-payers of the country. Whatever may be its rationale, this policy of regular capital infusion is not based on "social justice." The government which is committed to "social justice" should take some drastic steps to relieve the

poor tax payers of the country. However, there are two more sicknesses: The stock market scam which is under sub-judice now and the recurrent losses of the state-owned enterprises (SOEs). The latter imposes an annual burden of about Tk 2.5 billion on the tax payers. According to the budget speech of the finance minister, it has gone up much higher in 1996-97 budget. These are causing heavy bleeding to the economy and

be useful to see what the 1997-98 budget has offered as remedy

"Surprises" in the Budget First of all, it would be appropriate to take note of the surprises" in this year's budget. On the expenditure side, there

The "Superannuation Allowances," to be run on an experimental basis, to be given to 10 persons per ward at the rate of Tk. 100 per month to the "uncared elderly poor people" who are "incapable of manual work." It would benefit 4.5 lakh distressed people costing about Tk 54 crores.

establishment of a "Housing

Fund" of Tk 50 crores "to pro-

vide loans and grants for the

construction of housing units to

the homeless, the poor and low

income groups through NGOs,

other voluntary agencies and

ment of an "Employment Gen-

eration Bank" under the super-

vision of Bangladesh Bank with

a paid-up capital of Tk 50 crores

to provide self-employment to

the unemployed youths. All of

these are new and commend-

able measures directed towards

poverty alleviation and should

be expanded and continued.

Hopefully, the modalities would

be rightly chosen to deliver the

services to the genuinely needy

people and not to the scums.

However, this third measure

perhaps could be integrated

with the Palli Karma San-

gasthan Foundation which is

cided to contribute Tk 100

crores to the Rural Credit Fund

of Bangladesh Bank just to re-

liever the latter from the con-

tinuing burden of lending to the

The government has also de-

already active in this field.

The third is the establish-

local government.

agricultural banks of the country. This is, however, is not new but a good measure of allocation to benefit the agricultural

However, on the tax side, it is good to see that the lowest tax rate has been reduced from 15 per cent to 10 per cent and the minimum amount of tax has been reduced from Tk 1200 to Tk 1000. This will give relief to the lowest income tax payers. It is also good to see that the corporate tax rate of the publicly traded companies remaining at 35 per cent while the rate of non-publicly traded companies and the banks, insurance companies and financial institutions has been reduced to 40 per cent. Since the richest income earners, one is told, were not paying income taxes, it is important that they are being sub-

ing of assets like houses, cars

and telephones etc. The tax

payer at the time of appeal to

the Appellate Tribunal was re-

quired to pay 40 per cent of the

taxes payable which has now

been reduced to 30 per cent. It is

sensible that harassing mea-

sures like presumptive taxa-

tion, and charging of interest

on delayed payment of taxes are

withdrawn. It is appropriate

that purchase of savings certifi-

cates is going to be treated as al-

lowable investments for giving

tax credits which will stimulate

savings among the small

in line with the previous trade

liberalisation policy that the

highest rate of customs duty has

been marginally reduced from

45 per cent to 42.5 per cent. The

reduction of import duty on

road milk tanker from 45 per

cent to 2.5 per cent will have a

salutary effect on the growth of

"Disappointments" in

the Budget

will be disappointed to read the

All knowledgeable persons

dairy sector of the country.

On the indirect tax side, it is

views of the finance minister when he says that he inherited a fragile and weak capital market and that "the recent fluctuations in the stock markets. though dramatic, are not unusual." Trying to pass the buck on to others cannot be a virtue. In this connection, trying to develop a National Stock Exchange when the economy's capital base in the financial sector is not deep enough may be a mistake. Improving the efficiency, accountability and transparency, with strong supervision of the floor trading would be enough to support the investment opportunities in the capital market.

Stronger measures are needed to cure the sicknesses in the financial sector and the SOE sector.

The imposition of "separate infrastructure development surcharge at a rate of 2.5 per cent on all imports except on defence stores, imports for diplomatic and privileged persons, imports for blind-deaf and dumb and other handicapped persons and relief goods etc...." as well as on "locally produced goods" will be a burden on many industries and consumers if it is viewed in conjunction with newly-added VAT on wider range of goods imported and produced. This will raise the prices of goods in gen-

The imposition of "2.5 per cent customs duty on some mineral products, diesel engine. aircraft, ocean-going vessels above 3000 DWT. Testing equipment, laboratory equipment, some medicines and their raw materials, raw cotton and cotton waste, and 7.5 per cent customs duty on textile airconditioners and textile machinery" will hit hard agriculture and industries using diesel engines, pharmaceutical industries and textile sector. It should be noted that the backward-linked industries of the garment sector will be hardest hit because Bangladesh does not produce raw cotton. This is particularly important when it is compared with India which produces raw cotton on a large scale.

Similarly, increase of duties from 7.5 to 15 per cent on crown cork, china clay and quartz etc. and from 15 per cent to 22.5 per cent duty on writing and printing paper etc., will deeply hurt

the small scale industries in these areas which are employment-generating activities of people with small capital.

The widespread application of supplementary duties on varieties of products will lead various small industries to close down, especially in the face of vast inflow of goods from India.

What is most disappointing is the extension of VAT to almost all wholesale and a number of retail trades at a time when the existing VAT structure is already having cascading effects. The record keeping practice of small traders and importers is inadequate to take the deduction of VAT paid at the previous stages of transactions. This measure will raise retail prices significantly. All in all, most of these indirect tax measures will lead to rise in retail prices, distortion of resource allocation in the economy and closing down of many small and cottage industries which are providers of employment of a large segment of the country's

work-force. There are a number of measures announced in the budget, which cannot be discussed here for shortage of space, which will lead to tax harassment and strengthening of the bureaucratic controls on the economy Is this what a free market economy going to be like?

Some Concluding Remarks

There is no doubt that the tax-expenditure package of this budget has some commendable features but it also contains a substantial number of protective measures which will no doubt raise revenues but will also make the industrial sector uncompetitive and hence will defeat the export-led strategy of growth. Further, if there is going to be widespread rise in prices due to imposition of new duties, supplementary duties and VAT, the macroeconomic stability that the government is wanting to maintain will be destroyed. High domestic prices will stimulate inflow of Indian goods across the border and destroy the local industries. In such a situation, the prospect of rapid industrialisation and faster economic growth will remain an illusion. Moreover, the domestic price rise will adversely affect the exchange rate and hence the export trade as well as the foreign reserves. Where is the economy heading

A Flirting with Trim Reckoning: The Dinkaal Exposition by Chandra Shekhar Das

The Dinkaal authorities chose to violate the ethics of journalism. By publishing an item that was essentially

scurrilous and something not based on information, they paved the way for a joke on

the profession and the professionals.

EHEADING fallen enemies without compunction, Falstaff, the immortal Shakespearian creation who only a little while ago, played possum to escape fight with the foes, muses over a piece of practical philosophy at the quiet corner of a battlefield in Henry IV. What is honour, asks the fat, incorrigible vet irresistible man in a soliloquy and then goes to explain it in his inimitable manner. Honour, to this confirmed coward, is only a word which means nothing. By terming it as a 'trim reckoning' and 'he that died Wednesday', the eternal hedo-

real world. Away ... from the world of Shakespearian drama, daily life looks as much rooted in the general disregard for the concept of honour as it was in any time and place either in the world of fiction or fact. In a milieu that is almost relentlessly writing paeans of people who believe in the here and now policy, Falstaff even in this age of slim-n-trim fad, appears as the perfect role model with his

nist and unequal friend of

Prince Hal means that honour

as an idea has no place in the

existential philosophy. It found a very resonant echo in a news item published in the June 5 issue of the Dinkaal, a

Bangla daily, a professed spokesman of the nationalist forces. Placed at the top right became aware that they had an corner of the front page under obligation to the reputation and the title Iha ki Saiyu? (Is it True?), it gave a list of people comprising journalists as well as men of letters from other branches — who according to the look of a naive paradigm of or fiction?

Sensational news. Looked like a tailor made scoop to titillate man's innate love for scandal. But it fell flat the very next day in the face of Indian High Commission's strong denial and condemnation of the report. Even before the people named there in the list could react to the news item, the daily pulled its horns in; its zeal for investigative journalism forced to the backseat in a rather un-

a document it printed as its

source, were paid through the

High Commission of India.

ceremonious manner. It took the Dinkaal authority less than 24 hours to express sorrow over something they seemed to be proud enough to display on the front page of the paper. In a few hours' time, they honour of an individual. They even went to the extent of admitting that the item was not exactly based on fact. Then what was it based on? Figment

By this example of volte face, Dinkaal has actually established its spiritual communion with the Inquilab, another Bangla daily, with a tradition of eating its own words and expressing belated regret for news that are not based on facts.

Evidently, the Dinkaal authorities chose to violate the ethics of journalism. By publishing an item that was essentially scurrilous and something not based on information, they paved the way for a joke on the profession and the professionals. If the owner of the paper decided to smear the image of certain people who they thought, were not from the same political or philosophical

school they were, the journal ists did a world of disservice to their honour and professional commitment by chiming in with that impulse of vengeance or mischief.

Very foolishly and cheaply they have allowed themselves to be used in a game of risking one's own honour by trifling with that of others.

An instance of dishonour is not necessarily a fatal occasion for the physical life of a man Yet, even in this age of cowards personal honour is the invisible aura that most men seem to cherish above and ahead of everything else. No matter how infinitesimal, honour is the key element which goes a long way in holding the society to-

gether. But the semblance of reason and good sense we still credit ourselves with in the moments of lucidity are owed to the residual commitment to honour. We hate to lie because honour is at stake. A vital obligatory and regulatory fascination, honour is for the sane life of the civil society.

The area in our social consciousness which suffers most from the absence of honour as a vital component is perhaps the newspaper world. This is not to imply that journalists abroad are angels. In fact, generally the contrary. Journalism world over is a great deal about the practice in expediency and constant effort of presenting half truth or the partial truth rather than bringing to light, the whole truth. This is probably the name of the game called "life". But even in this general drama of coloured and partial presentation, there appear people who stand out like pole stars for their commitment to ethics and honour. It is for these beacons of exception that this old world peopled with opportunists and compromising conformists is still moving. But our world of journalism seems to have degraded itself too early

and too generally. Perhaps, the fact of there

being such an overwhelming rise in the number of people in the profession who would have, otherwise, struggled to keep the body and soul together that politicians and people with a purpose manage to swing the journalists like marionettes at their sweet will.

Dinkaal would have done a truly commendable job if it could back and establish the contentious June 5 news item on the basis of facts and figures Instead of admitting its own ignorance and dumping their own professional responsibility on the readers with a 'Is it True' type of title and the subsequent litany of regret it should have, if it really could, gone all the way to cement a thing it claimed to have unearthed. By going back, it has actually helped surface the characteristic flaw of the journalistic practice in this part of the world: the relatively longer distance from truth. The latest specimen of yellow journalism, if the chromatic classification is all right in this case would, however, substantiate what one character in Arnold Bennet's play 'Title' has to say, "Journalists say a thing that they know is not true in the hope that if they keep on saying it long enough it will be true".

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Condemning the eviction

Sir, We condemn the eviction of sex workers of the Kandupatti in Dhaka the capital city of Bangladesh from the brothel by a section of the local people in violation of their rights. The evictors have also violated the law of the land.

Since the were forced to choose prostitution as profession, the eviction has clearly violated the basic survival needs of food, clothe, shelter, medical treatment and other essential social securities for which primary responsibilities evolve on the government. The evictors have also not taken into consideration of the questions of appalling conditions of the sex workers about the escapism syndrome from unemployment, oppression and repression of varied nature in the male-dominated society.

There is a need to understand of the varied social situation and environment of the women sex workers as the bread earner. victims of cheating, family poverty, divorce, escapism from physical and mental repression by husbands and, most often, by the in-laws and husbands' other relatives, and polygamy, impotence, separation/death/ missing of husbands, among

others. Their problems needs to be redressed before unseating them from their profession.

We urge upon the government to rehabilitate the evicted sex workers immediately or reinstate them soon ensuring securities from mastans, toll takers, stop harassment by police and others creating problems for the sex workers.

Historically, so far I know, the role of sex workers has been well recognised as a great deterrent to several other concomitant social evils and actions for the good of the society.

M A Rub Director Gono Bikash Sangstha (GBS),

Helping new industries

Sir, Infant industries are not only the newly-established industries but also those that are still struggling to establish a solid ground in the country so that they can compete with the foreign products. Our many promising infant, industries like textile, sugar, cement etc., are now confronted with grave threat.

Bangladesh just entered into the open market economy. But

here is no such promise that she cannot take protection for her own interest. To save infant industries, I think a temporary tariff can be justified upon those imported products which are produced by our infant in-

dustries. Because it cuts down on imports of modern manufactures while the infant industry learns how to produce at low enough costs to compete without the help of tariff. Many world famous economists and policy makers support this argument which stresses that tariff protection gives them the chance by keeping manufacturing competition from more advanced countries while they incur the initial costs of getting started. In this era of open market economy, Japan is still using roadblocks against IBM computer hardware to develop the rapidly maturing infant Japanese computer hardware industry. So, why can't we do

But it is regrettable that no real initiatives are taken yet to save them. Government's vacillation about decision-making, callousness and lack of farsightedness about our economy are the main causes of this situation. We hope the government shall do something for them.

Shakil-Al-Mamun Department of Finance and Banking University of Dhaka

Coffee is costly

Sir, According to a latest scientific report, coffee has been found very effective against heart disease. People all over the world have been drinking coffee since the middle of the 15th century when the practice of drinking coffee spread from

the Middle East. Coffee has yet to become a popular drink in Bangladesh mainly because of its high price, less publicity and nonavailability of local brands.

I think, because of its medicinal value, coffee should be popularised also in Bangladesh

M Zahidul Haque BAI, Sher-e-Bangla Nagar, Dhaka-1207

Development indicators

Sir, The supplement on late former President Ziaur Rahman which appeared in some papers on May 30 had a novel feature not usually seen in anniversary press releases laden with adjectives and sentimental hash.

While the achievements of a party or a personality deserve some space, facts in the form of charts and graphs tell the story more effectively to the supporters and the critics.

No man is perfect — it does not mean that no such person can do something good for the society or the country. Politicians and opponents ignore the 'other side of the coin'. Plus cannot live without minus, as there is no man without his shadow (the yin and yang complementary principle).

Eight graphs with rising curves have been printed depicting the positive performance in some sectors during the Zia

regime in the mid- and late- '70s (keeping in mind that statistical data could be manipulated out of context — this is a common trick known to the experts; this is not implied here). The other points of good governance which cannot be depicted graphically are the policy decisions which change the destiny of a nation (this applies to all regimes), which can be judged after short or longer intervals

of monitoring and assessment. History is not controlled by the politicians, they contribute to it as players in the arena. The players cannot be referees or judges. This is a useful perspective for postmortem, of the political kind.

A Zabr Dhaka.

Agony of Eve

Sir, A couple of days ago. read a news about acid throwing. By reading that I came to know about the agony of the sufferers. I was in tears.

But what actually have we done for them? They demand justice. They want protection, but do they get so? No.

On 17th May 1997, I read another news item in a newspaper. A boy named Shubro threw acid at Parul on the night of April 21, 1997. The boy is on bail now and he is threatening Parul's father. This is the same case that I read before.

Now, my question is : why these incidents are taking place again and again? Whose duty it is to protect those poor girls?

Keya Choudhury Subid Bazar, Sylhet

"Hon'ble parliamentarians..." Sir, I refer to the issue of the

15th May 97 of your esteemed issue. Let me congratulate you for your very bold commentary on "Hon'ble parliamentarians You have very correctly projected the feeling of multitude of innocent Bangladeshi tax payers. Everyone is asking the same question, is it worthwhile to spend huge amounts for the parliamentarians and Tk 16000 per minute i.e. 9,60,000 per hour to hear hardly anything constructive. All we hear is about the past and abuses hurled at each other. Either they must behave so that they may command the respect of the countrymen or else the peo-ple should seek an alternative system. The behaviour of a few BNP

parliamentarians is unpardonable, more so because they represent BNP who were known once upon a time for their behaviour. On the other hand we can not forget the insults hurled at the Deputy Speaker during the last session by a few responsible parliamentarians.

They should not forget that we have to march in to the next century which we cannot do without decent behaviour, discipline and truthfulness from those we have elected in the Parliament to lead us. We look forward to sensible persons like you who can create popular pressure to instill good sense into everybody.

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