

Ambitious Budget

Finance Minister SAMS Kibria has scripted a budget that he does not want to be dubbed as a shoe-string budget. He has made it a point to notionally retain a certain flexibility to meet up expenditures, both revenue and development. That's why the budget is designed to raise the revenue collection figure by 22 per cent from the previous year's level.

There is a growing realisation that our tax-base is narrow. In a country of 130 million people we have an abysmally low figure of tax-payers — only 6 lakh, according to the finance minister himself. Undoubtedly, a vast scope exists for expanding the tax-base.

But the question is: who exactly are we going to tax? Those who are evading payment of income tax or the consumers in general with a dwindling purchasing power? That's why this paper's emphasis so far has been on efficient and largely corruption-free collection of revenues by way of putting in place a tax enforcement mechanism capable of coping with a vastly expanded tax-net. Over the last two years our revenue collection fell short of the target by 10 per cent. In that context, this year's budgetary projection of a 22 per cent increase in tax revenue sounds unrealistic.

The rationalisation of duties and simplification of tax procedures could yield some benefit; but given the fact that basically the same tax administration is being called upon to deliver goods on a wider canvas we may be in for a disappointment.

The finance minister's contention that no fresh tax has been imposed, rather the tax-net has been widened is more euphemistic than a statement of fact. Because the incidence of taxation will increase with the broadening of the VAT net to the retail level and in the service sectors. The small restaurateurs and the doctors in particular, are likely to pass the burden on to the ordinary consumers or users of their services. If the doctors had provided receipts to the patients as a rule then their incomes would have been effectively more taxable than at present. That is the option we should have looked for.

The higher duty on foreign books and journals comes as a disincentive to intellectual pursuits.

The reduction of import duty on industrial raw materials and fiscal concessions to textile, leather, ceramic and agro-based industries are steps in the right direction. The whole export sector stands to benefit from the support measures.

The proposal for compulsory Pre-Shipment Inspection (PSI) of all imports by the private sector, or government, semi-government and defence agencies, to ward off revenue losses through any wrongful valuation leading to fight of capital sounds good.

The higher allocations to the education and health sectors are welcome provided we alter the expenditure pattern from salaries and administration to development projects. After the CHT accord, the eight per cent increase in the defence allocation does not go down too well with poverty alleviation programme.

Why This Hartal?

The opposition call for a country-wide dawn-to-dusk hartal today to protest the 'anti-people' budget certainly lends credence to an age-old adage: old habits die hard. Just when the country's political culture looked set for a qualitative improvement the sudden and surprising reversal of the trend, back into a confrontational mould, has been agonising beyond measures. We are short of harsh enough words to deplore the opposition's cheap, immoral and highly opportunistic programme. It is a pity that they have to resort to an anti-people political ploy like hartal to voice their dissent over the budget.

In recent times, the opposition parties have shown an inclination to adopt peaceful ways to ensure the government and articulate their demands, with the BNP leading the charge. On more than one occasion, it actually had its allies desist from resorting to violent ways. This shift in policy has been widely acclaimed. This indeed enhanced its acceptability, prestige and popularity among the masses. With hartal slowly but steadily fading out of the scene, efficacy of the parliament was once again on the increase. This time around, however, the BNP seems to have succumbed to pressures from within the alliance, apparently from the Jatiya Party in particular. It may serve the purpose of JP, riven by forces within and seemingly lacking in direction but hartal will certainly have a detrimental impact on BNP's image as the principal opposition party. It will be construed as an attempt to capitalise on the knee-jerk reaction of people to the budget turning the back to parliament where it ought to be legitimately discussed.

On the whole, the hartal appears no less than the opposition's effort to weigh its popularity on a flawed balance. With the common people forced to be on an 'extended' weekend, the politicians might boast of 'spontaneous' public participation in the hartal, knowing at their heart of hearts though that they were only cunning to have called it for Sunday. We condemn the opposition move and, once again, earnestly request them to sustain the healthy trend they themselves had set only the other day.

DND Embankment

The important DND Embankment which had come under a severe pressure from flood waters last year and suffered breaches causing serious concern to the government and the people still remains largely unrepaired. A report in Prothom Alo on Saturday says that Water Development Board officials are afraid that even normal flooding now can cause severe danger to a certain portion of the embankment.

The portion between Chashara Railway Station and IT School spanning 2.2 kilometre has been identified as a high risk area. If the embankment at that point gives in, flood waters will enter Motijheel area of Dhaka city. It was decided by higher authorities last year that the endangered points along the embankment will be raised to fifteen feet height from the present height of six feet. The World Bank also offered loans to finance the repair and maintenance works but although tenders were floated in April and a large number of contractors showed interest, no work order has yet been issued.

The monsoon have arrived but the authorities have hardly any headache for starting this important project. It has become our peculiar characteristic to forget an important job once we are out of danger for the time being. WDB and the relevant ministry should wake up now before it is too late. Expedite the formalities with the World Bank and start the repair work on the embankment before the monsoon takes over.

A glossy global economy that we all pinned hopes on following globalisation seems to be replaced by the opposite syndrome: a gloomy global economy. Economic recession continues to reign the world. From 4 per cent in 1997, the global economic growth rates disconcertingly dipped to 2 per cent in 1998. Per capita growth rates in the group of developing countries — that led the major economic expansion world-wide over the previous decade — shrivelled from 3.2 per cent to only 0.4 per cent during the same period of time. A further slow-down in economic development for 1999 has to be projected along with a negative per capita growth rate for the developing countries as a whole. The fortuitous change of forecasts — from gloss to gloom — was fuelled by the East Asian Financial Crisis followed by Russian and Brazilian ones. The turbulence that swept the "tigers" seemingly upset the calculus of economic growth hitting hard the industry and services sector and pushing back the entailing migrants, especially to crisis-affected rural areas. The post crisis recessions registered an increasing number of developing countries facing a negative per capita income growth — from 21 in 1997 to 36 in 1998.

The above mentioned obser-

Global Economy: Glossy or Gloomy?

What is needed basically is a growth-stimulating investment programme for rural areas. "Such policies could furthermore contribute to the much needed overall economic growth dynamics in developing countries, as rising purchasing power in rural areas would initiate spill-overs, to other sectors of the economy via demand-induced multiplier effects".

Developing countries found import bill less to live with a comfortable reserve of foreign exchange. But crisis affected countries hardly reaped home the remunerations for a declining price of foodgrains since devaluations of their national currencies already drained off purchasing power dreadfully. Increasing effects of this devaluation are particularly felt by the poor households, which usually spends

high proportions of their incomes on food. A clear indication from declining world market prices for food is that supply is outstripping effective demand. In the sequel, an induced reduction in investment could take place. The writer is of the view that any cut-back in agricultural investment would be a fundamental mistake with far-reaching long term consequences. The cure of the disease should lie in the cause and the cause of the crisis is inadequate purchasing power in many low income country households. Joachim van Braun attempted to draw attention to some important facts about world food situation: "every fifth person in the developing world still suffers from an inadequate provision of basic foods and the popula-

tion in this region continues to grow annually by 1.6 per cent. The long term trend for actual food is therefore clearly increasing. Recent model projections carried out at the International Food Policy Research Institute (IFPRI) — with an assemblage of extrapolation of the current unfavourable economic conditions — show that until the year 2020 daily food availability in low income countries would decline by 140 kcal per person and the number of under-nourished children curved increase by 15 million."

What are policy instruments to deter a doomsday? First, the trends suggest that rather than cuttingback agricultural investments, global food situation would improve following a flow of funds into that sector. Second, to do that, many low-income countries would need debt relief. "Such investments in the medium and long run could bring about agricultural productivity augmentation as well as employment and income generation rural areas of developing countries where most of the world's hunger problem is concentrated."

So, what is needed basically is a growth-stimulating investment programme for rural areas. The main components of that are: rural infrastructure institution building and institutional strengthening technology dissemination and agricultural research. "Such policies could furthermore contribute to the much needed overall economic growth dynamics in developing countries, as rising purchasing power in rural areas would initiate spill-overs, to other sectors of the economy via demand-induced multiplier effects". At the outset, it would enhance domestic effective demand but later on would spread to international market to demand for imported commodities. When world-wide stagnation stalls progress, a realisation of the relationships and decisive actions on rural growth oriented policies are called for.

But, in times of recession, countries should not resort to protectionism. It could be a fatal mistake to adduce recession to globalisation and thus shut the doors to protect domestic industries. When institutional shortcomings cause the crisis, resort to restricted trade is a misfire. Keep the economy open up the mind to look for the actual villain elsewhere. The gloomy scenario could be turned glossy by appropriate prognosis and policies.



Beneath the Surface

by Abdul Bayes

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Turmoil at the WTO

The four-year old WTO is at a crossroads. Though a vote in the WTO in choosing a new director general would be unprecedented, it is getting more and more clear that it would be less divisive than continuing with a probably fruitless quest for consensus

THE World Trade Organisation (WTO) has been without a chief since Renato Ruggiero's four year term as the head of the organisation ended on April 30. He said he wouldn't stay on until his successor was appointed. Over the past nine months, representatives of the WTO's 134 member nations met regularly to decide on a new director general. But the meetings ended with no consensus candidate. Trade envoys again met on Ruggiero's last day in the job to pick a new director-general. They emerged from meetings on May 4th still squabbling over who should head the organisation. Unlike the United Nations, the WTO reaches accords by "consensus-building".

Members have been unable to decide between the two final candidates — Mike Moore, the former trade and prime minister of New Zealand, and Supachai Panitchpakdi, Thailand's current commerce minister and a deputy prime minister. Representatives of the WTO members met again at the end of last month to make progress in their selection after a three-week pause for reflection. However, this meeting also ended with no sign of any resolution of the stalemate.

The two main contenders, Supachai and Mike Moore have fought a long and hard campaign for the office. Supachai has the support of Mexico, Japan and most of the Asian countries, while the United States, most of Latin America, and several European countries are pushing for Moore. The European Union itself is split on the issue. The Netherlands and the United Kingdom have been supporting Supachai while others, led by France, said they preferred Moore. Africa and the Caribbean are almost evenly split.

During the first series of meetings in early May, the Tanzanian chairman of the ruling general council, proposed that the WTO's 134 members agree to back Moore who was supported by 62 countries to 59 for Supachai. However, supporters of Supachai, who until then had been clearly in the lead, refused to give way, alleging high pressure tactics by the Moore campaign and in particular by the United States and France in winning over small, poor countries to the New Zealander's cause.

Japan and members of the ASEAN regional grouping continue to claim that Supachai has more support than his rival and should be given an equal chance to try to obtain a traditional consensus around his candidacy. Failing that, a number of Supachai supporters are calling for the issue to be decided by an informal vote. Though the Moore camp believe that a vote would go their way, the United States and many other nations are strongly opposed to any breach in the WTO's consensus decision-making procedures, which they claim could set a precedent that could lead to majority decisions over sovereign trade policies.

Both candidates have acceptable qualifications without being outstanding. Between the pair Supachai was always marginally the better candidate, but as in any political contest — and this became more so with the economic — it was soon clear that he was going to lose. Initially, he had raced into such a commanding lead among the prospective voting nations that Thailand's press effectively declared him the winner months ago. The problem with Supachai's campaign was that it didn't appreciate that certain key votes carry more clout than others.

The US vote is one of the most important in this regard. As the US announced its support for Moore's candidacy, many other countries, who until then were on the fence, came out in his support. Mike Moore became America's darling partly by siding

himself with the US trade unions. Labour vote matters to both the American Democratic and Republican parties. Moreover, with ballooning US current account deficits, the consensus on the benefits of free trade with the developing world is being constantly questioned, and labour unions are leading the protectionist charge. Also, US multinational companies like the free-marketeer Moore more than the pro-developing

ultimate approval, to my understanding comes from her and if she sticks to the proposed duty-increase only and at the same time talks about finding ways to breathe fresh air, it is surely a sign of hypocrisy.

Mr. Khan Dhaka

Is flare-up different?

Sir, The current flare-up in Kashmir between India and Pakistan appears to be different this time — provocation is being deliberately invited. According to the world powers, the time has come for a solution of half a century of deadlock, regardless of the stance taken by two weak capitals, Islamabad and New Delhi. The big market of one billion consumers is more important than the Kashmir stalemate — it has to be made seamless without losing sovereignty and independence. Who can contradict this stance?

First erode, then leave the administrations with no options. It has been done before in other countries; hence the precedent is relevant. It is likely the world will see some firm and decisive action in South Asia. The Kashmir issue has to be solved. Some diversionary movements might also be in the offing, in stages.

Abdul M. Ahmad Dhaka

Uncaring Rajuk

Sir, I have read with interest the letter from, "An Applicant" about the antics of Rajuk, published on June 7, 1999. My heart goes out to "The Applicant" as I am a co-sufferer due to the uncaring attitude of Rajuk.

I was allotted a piece of land in December 1985 in Baridhara "J Block" against which Rajuk blocked the total amount of money years ago. However although many years have gone by since 1985 no effort was made by Rajuk to solve the problem of handing over the plots.

Governments have changed but no one came forward to solve the problem. Rather when the matter was brought to the notice of the then officials concerned, it started a mad scramble by party people to grab whatever was possible of this valuable land.

An Allottee Dhaka



Connecting the Dots

Dr. A. R. Chowdhury

Impossible! Am I supposed to believe and accept that the government has decided to impose taxes on foreign books? Books that are, as Milton put it several hundred years ago, "the precious life-blood of a master spirit"?

Books which we have been encouraged from our childhood to read and which we, in our turn, encourage our children to read? Books that provide us with healthy entertainment in a world full of violence? Over the last few years there has been an increasing move towards encouraging the cultivation of reading habits, of giving books as gifts, of using books to improve the world. This, in itself, stresses the importance books have in our lives.

Ever since the written word was discovered, books have been respected. In the beginning, books were owned by the rich or the learned but now that restriction has faded and any person worth the name can own a book. Is all that to be reversed once more? Are we to regress into the Dark Ages again?

In Bangladesh, any reading period is a voucher for the fact that we do not have enough materials with which to improve our knowledge and skills. We need foreign assistance for that. For most people, it is not possible to go abroad and acquire that knowledge or skill. A cheap alternative, therefore, is foreign books. If taxes are levied on them, then even this cheap way of gaining expertise will be stopped, leading ultimately to a retardation in our national growth.

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Books to be VAted?

It is a sad but true that most of our student community have stopped reading books. With more fascinating entertainment available, they turn less and less towards books. This may be a fault on the part of the adults concerned who have failed to instill in their children a love of books but in spite of this, there does come a time when books must be read even if it is for passing exams.

Unfortunately, our students seem to have found a way around that as well. Now, however, there is all the more excuse for not reading. With a rise in the prices of books, we will see a corresponding decline in the reading public with more time on their hands than they can handle. And I am sure I do not have to spell out what will be the result of this.

We must acknowledge the fact that there is a great dearth of research materials in our country. For people, particularly students, the only way to gain access to better or the only available resources is foreign books. We in the academia are totally dependent for good imparting of knowledge on the availability of foreign books which are, as it is, expensive. With the new tax, they will become almost beyond our reach.

The education sector needs an exchange of materials in order to advance. With the government apparently so bent on improving the quality of education in the country, we do not expect any move that will hinder that progress. Students will

The sudden folding up of GSS, one of the larger NGO networks in the country, is likely to send some kind of shock wave through the society; for two reasons: it was sudden and unexpected (how the press failed to monitor to keep the readers informed? Although the grapevines were carrying juicy news items, some of which leaked out into the press); and, it happened to a well-established NGO with some track record. Large establishments do not collapse suddenly and mysteriously. The virus must be working quietly for a long time, and, as the white-ants eat up the internal structure without visible effect outside, the collapse is triggered suddenly when the loads (or over-load) cannot be sustained any longer. First the bank-loan defaulters; now the NGOs are sinking. What's wrong with our society? The politicians talk about everything except the real basic problems.

This raises the inevitable question: What went wrong with the official monitoring system of the NGO world, one of the biggest in Bangladesh. ADAB is supposed to do some monitoring, and some super government agency is supposed to monitor ADAB. Several thousand NGOs (between 5,000 to 8,000?) are working in the country, and their impact on the rural population and economy is tremendous. How to restore, and maintain the good image? The Government's NGO Bureau has to be doing a lot of

erations. This is a crisis, hence routine speed won't do. The danger is that like the NGOs, some other institutions, already tainted, might start crumbling (it is not difficult to name some of the areas). The government has to wake up and look in the right direction for remedial measures. We have had enough of political instability. The poor public must not be burdened with more problems, which initially should be solved at the leadership level. The future does not look bright for Bangladesh (the leaders are already aware of this outlook).

Another marketing angle: The real estate business might be heading for a recession. GSS had been occupying more than a dozen buildings in Mohammodpur area. Even if 10-20 per cent of the NGOs have to close down (or curtail their activities) in the near future due to shortage of funds, the landlords have to start worrying, although the house rents would come down substantially in the residential areas, to the great relief of the heads of families looking for cheaper residential accommodation in overloaded Dhaka metros.

On less, as hope there would be no cascade effect or slide which might create panic. The law and order situation is such that the moneyed people are scared 24 hours a day, because through bribes, it is easy to find out who have how much (in cash or assets), hidden where.

To the Editor...

Defence Budget culture

Sir, Recent National Budget once again reflects the poor judgement over DB (Defence Budget) and it shows that DB has increased 8 per cent from last year which is Tk. 2,997 crore and placed in second highest under budget allocation.

According to geographical and economical context Bangladesh cannot afford this much for Defence, where a huge budget deficit to fulfill and total Budget allocation to different expenditure and development is not good enough. The government should have thought more about the extravagant DB where the country suffered a huge natural calamity at the beginning of 1998-1999 fiscal year. Although the NB for Police Department has increased considerably, but is not good enough to maintain a powerful, impartial and uncorrupt organisation which has always found shortage of forces and logistics to carry out its operation successfully.

Although the ruling government tried to utilize the defence for the service of the people, like traffic controlling, but severely condemned by the leader of the main opposition. Defence is an important part of the country, but should not be used for political benefit to maintain the chain of command and discipline and defence is not beyond any constitution. So, like other government official, there should be regular enquiry about the income and asset of defence personnel.

The government and opposition should realize that superfluous facilities eventually make defence officials ambitious.

Ferdous Khan BUET, Dhaka

Irony of VAT

Sir, The government in the previous budget had withdrawn all duties, taxes, and VAT on computer hardware, peripherals and software. It was done to encourage the growth of information Technology (IT) industry in the country.

The Internet is one of the chief elements that initiated the global spread and growth of IT industry. Along with inexpensive hardware and software, a future growth of a local IT industry is dependent on inexpensive and easy internet access.

It seems ironic that although computer software and hardware has been exempted from all kinds of taxes and duties (including VAT), we have to pay VAT on our Internet Service

Tax on foreign books

Sir, In the new budget for the year 1999-2000, readers of the foreign books have to bear an additional tax burden. Previously there was no duty on books and only 7.5 per cent duty levied on novels. This year 15 per cent duty has been imposed on foreign books.

Government should realize that most of the readers of foreign books are students. They have to read the foreign books for their higher education. Our universities cannot provide sufficient books to the students by the libraries. Many of the universities do not allow students to borrow books from the library. And the reality is that the government has not taken any step to publish important academic reference books.

Yes, the government could say that there is no duty on certain reference books. So now, how the importers prove that these books are reference books, when the customs claim? They will not bother for importing foreign books any more. And the studious students will suffer. Government should not deprive students, researchers, teachers and readers in any way.

It will do no good for the nation.

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Only a duty-increase?

Sir, The two-stroke auto-rickshaws and how hazardous those are due to its enormous contribution to the air pollution has been discussed many times. It was also advised that these auto rickshaws are to be lifted off the street in order to make the air less polluted. And yet I found out that our government is considering only a duty-increase rather than banning import of auto-rickshaws.

I am not quite sure if there exists any other way to convey the message to the policy makers other than advising them through writing in the newspapers.

What is our PM doing? The