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A retrograde step

VAT proposal on private universities should be withdrawn

WE are both surprised and baffled at the finance minister's, or shall we say, the government's change of heart by the turn of a single year! Only in the last year's budget the finance minister had announced that private universities would be exempted from VAT in keeping with the government's goal for stimulating higher education in private sector. But there was a compulsion, too: the public universities do not simply have the capacity to accommodate burgeoning surges in the number of higher education seekers.

That was all very well; but what has changed the rationale now for the evidently ill-advised move by him to announce a sudden withdrawal of private universities from the VAT exemption list?

We believe, however, that the fact that the government is thinking of imposing VAT on private universities stems from an inadequate appreciation of what the private universities have been doing to the cause of higher education. For any number of reasons, the principal one being the much-delayed prospect of graduation from public universities contrasted with timely turnouts from private universities and the resultant connectivity to job market and still higher educational pursuits abroad, students feel constrained to go to private universities. Most important, the graduates and post-graduates from private universities are increasingly manning various professions in the private sector.

Most of the understanding about private universities veers in two extremes: either they are high-charging institutions catering to elitist demand for education, or they are highly commercialised organisations indulging in skimming profits at the expense of offering poor quality degrees. There is a populist, notional and subjective ring to it without the objectivity of accepting the existence of some front-ranking private universities within the country that have set certain standard of higher education.

In this class belong private universities that are non-profiting but tax-paying institutions so that to be imposing VAT on them will amount to passing the burden of higher expenses on to the guardians and students. For all we know, the board members of universities are not salaried. Also, it is being observed that sensitive private universities in deference to public criticism over exorbitant fees are trying to keep them within reasonable range. They also provide stipends to students of limited means. In order to implement their forward-looking programmes they have already made a plea for a tax waiver.

The government has every right to standardise the private universities, to audit their funds and performance in order to ensure that their claim as centres of excellence is well-founded. There cannot be any dispute on it.

What is more, we are saving a valuable quantum of foreign exchange that used to be spent in undergraduate studies abroad but which is now available inside the country at a reasonable cost.

One final point. The imposition of VAT on private universities is patently inconsistent with the government's declared prioritisation of higher education, human resource development, digitisation and private sector-led growth.

Caring for human trafficking victims

The onus is on all of us

HUMAN trafficking remains a major concern for Bangladesh, despite the increasing social awareness about it. There are of course reasons to believe that of late such trafficking has come down, but that is certainly no cause for anyone to sit back in complacency. With fairly regular reports of the many travails Bangladeshis, especially women and children, go through at the hands of traffickers, the significance of how much more needs to be done to neuter the problem can hardly be over-emphasised. That much is certain. But with this broad issue of putting a stop to or preventing human trafficking comes another, namely, the requirement of special care for victims of such trafficking.

The launch of a training manual on care and support for human trafficking victims on Friday could not have come at a better time. Fundamentally, what it argues for (and it is something we agree with) is for a setting in place of all those parameters within which these victims of this vicious trade can be reintegrated in society. Given that ours is yet essentially a conservative society, it is indeed hard for victims of human trafficking to re-enter the social structure once they have found their way back from the clutches of their tormentors. Women who have found themselves trapped in insidious circumstances have always had the misfortune of becoming double victims. In the first place, their sufferings at the hands of traffickers strip them of the dignity they have always had as citizens. In the second, when they are able to free themselves of such bondage, for so it is, they find that they are now the victims of a society which considers their misfortune as a stigma on their future. It is particularly in the rural regions, where conservative trends yet run deep, that these victims, generally women, find themselves ostracised from the rest of society. It is negativism such as this which must be addressed.

By and large, victims of human trafficking have been rescued by the law enforcing agencies as well as human rights groups in Bangladesh. It is therefore important that these bodies be in the forefront of the rehabilitation programme, through devising schemes aimed at assisting the victims. This can be done through engaging victims in work that will help them fend for themselves economically.

The onus is on all of us to ensure that victims of trafficking can return to a decent, purposeful life. The trauma they are put to must not be ignored. A society that does not care for its more unfortunate members is in danger of turning into a symbol of insensitivity.

Changing the bus and shifting gear

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Let the "demographic dividend" of growth of the past decades be replaced with the "digital dividend" of growth in the years to come. It is the time to change the bus and shift gear -- like in India and elsewhere.

ABDUL BAYES

FINANCE Minister AMA Muhith presented the national budget last Thursday. It is the second of his government, the fourth of his own making and the 39th budget placed so far in Bangladesh. For the first time, the parliament members witnessed a digital submission of the budget proceedings.

The target set for GDP growth rate at 6.7% may surprise some people but not me. Pessimism might prevail on account of a growth rate slowdown in most recent years, and creeping infra-structural problems, mainly power.

Only in the last two years did we witness a dip in GDP growth rate following national and international adverse events. However, optimism owes to the recent-most bounce back with increased flow of private credit, good harvests, imports of capital and intermediate goods, prospects of operationalising PPP and a good forecast for Asian economies in the next year.

Readers may be reminded that Bangladesh weathered, on average, lower than 4% growth rate till the 1980s. After a volley of adjustment and reforms programs, needed for structural change in the economy, the growth rate picked up to perk at more than a 5.5% average from early 1990s.

Now it seems that we are again locked into a growth rate below 7% for a pretty long time. For example, from 2003-04 till 2009-10, the average growth rate was estimated to be 6.2%. Economists suggest that a sustained 7-8% growth rate for a decade or so is needed to make a dent in poverty.

Professor Wahiuddin Mahmud calls the syndrome of our growth a "demographic dividend." That means, our labour force is growing at a higher pace than is the population growth, and this burgeoning workforce has been doing something to eke out a living. The main propeller of growth in recent periods was this simple behavior (DS, June 10).

From another angle, one could argue that our growth comes mostly from service sector, which is low-productive and mostly informal in nature -- wholesale and retail trade, transport and construction.

Growth rate was relatively low in terms of the growth in large and medium-scale manufacturing sector -- till now dominated by RMG and other textiles. Transformation where the surplus labour from agriculture would flock into the manufacturing sector has been critically missing.

The window of opportunities in the form of demographic dividend does not last very long and we are a witness to that. The ongoing economic policies, politics, technology and resource endowments can hardly serve us the required sigh of relief by taking us to a higher growth trajectory, say, 7-8% or more per annum. Where lies the fix then?

One fix could be a "big push." That means, we must invest roughly 27-30% or so of our GDP to produce productive employment. Of course it raises eyebrows also as the share of investment to GDP over the last decade hovered around 23-24%. If we can achieve the target of investment at 30% of GDP, a growth rate of 7% plus may not be out of our reach.

One thing should be clear. Admittedly, our domestic savings rate has been lower than that of our investment rate. On the other hand, our national savings rate (where remittance reigns high and compensates for more than the deficit between domestic savings and investment) exceeds investment rate, suggesting that we are in fact not absolutely an aid-dependent economy.

But investment is not only a function of investible resources, nor is it merely a function of incentives. Incentives do not work if producers do not find their activities profit-worthy. Two important fixes are here. Emphasis must be given on infra-structural development, especially uninterrupted supply of gas and electricity for profits to pour in.

In a situation where -- and I reproduce from a report published in this newspaper -- 30% of the RMG capacity remains unutilised due to energy shortage and textiles boilers cool off for lack of gas to feed their firing chambers, coffee shops count losses for evenings as their generators cannot run the power-guzzling equipment, sales fall in malls and the hungry cry for power resounds everywhere, the slogan for a substantial rise in investment might turn out to be hollow.

But for that matter, our finance minister is not a man to mourn only. He has taken the challenge to meet the apparently "ambitious" target of reaching 6.7% growth rate by beefing up investment in the next fiscal year.

On the top of his government's agenda is, therefore, the talk of the town: improving energy infra-structure. His budget has committed a huge subsidy to the tune of Tk.2,000-2,300 crore for payments to rental power system. This allocation and few other sensible steps that he outlined to face the "fiery crisis" of energy in the economy may not break the barricades at the moment; yet, surely, it would attack the inertia, so much needed at this hour.

The fix also lies in the changing the mindset about FDI. Hopefully, Asia would become the hub of economic growth next year in the world with a projected growth rate of 7-8%. The wave of that growth could produce a spillover effect on Bangladesh to spur its own growth.

The dwindling dominance of China in labour-intensive exports -- textiles, footwear, sports shoes etc -- caused by creeping wage rates is also an opportunity waiting on the wings, as far as FDI is concerned.

The regional co-operation within South Asian countries, making Bangladesh a service provider for their transport of goods and services through our ports and accessing power from neighboring countries could pour some food into the investment plate. But for these to happen, a decisive role of the policy-makers is urgently called for.

On the other hand, the rate of implementation of ADP projects and the efficiency of project implementation must be ensured. A further advantage could be reaped through PPP allocations given the modalities of implementation of the projects are met quickly.

Thus, higher growth trajectory of, say, 7% or so seems to be within Bangladesh's reach, although far from assured. It can be assured only when the sectoral allocations are properly utilised; government decisions are quickly disposed of; good governance prevail and the international environment reigns over the recession. The highest allocation in the current budget to human resources development led by technological uplift also indicates that end.

That may lead to an investment increase in labour-intensive but technologically developed manufacturing sector, supported by better customs and port management, less regulatory framework.

By and large, we expect a quantitative as well as qualitative increase in our growth rates to help us generate productive employment and a decent standard of living for the population.

Let the "demographic dividend" of growth of the past decades be replaced with the "digital dividend" of growth in the years to come. It is the time to change the bus and shift gear -- like in India and elsewhere.

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Can sanctions deter Iran?

The UNSC resolution is a Pyrrhic victory for President Obama. He could have achieved much more through negotiations. If the past is any guide, then Iran will break but not bend.

MAHMOOD HASAN

THE Obama administration is mighty happy after the UN Security Council adopted Resolution 1929 (2010) on June 9, slapping sanctions on Iran.

Iran has been at odds with the West over its nuclear program. Iran is a signatory of the NPT and is within its rights to develop nuclear fuel for peaceful purposes. According to the treaty, a signatory is required to report to the IAEA about its uranium enrichment program. Iran has continued with its enrichment activities clandestinely, which came to light in 2003.

Since then, the West has accused Iran of developing a nuclear bomb. Iran so far has been able to enrich uranium up to 5%, which is needed for power generation. To make a nuclear device uranium has to be enriched up to 90%.

The trust gap has since widened progressively between the Islamic Republic and the West. Resolutions have been passed by the UNSC in the past to stop Iran from all kinds uranium enrichment activities. But Iran has continued with its policy.

Resolution 1929 imposes fresh sanctions on Iran, calling upon the Islamic Republic to suspend its nuclear activities. Amongst the 15 members of the Security Council, all five permanent members voted in favour. Among the non-permanent members, Brazil and Turkey voted against and Lebanon abstained.

The 8-page resolution is a complicated document. It is, in fact, an extension of the last one -- Resolution 1747 (2007). It is an attempt to squeeze Iran economically and compel it to submission.

The fourth round of sanctions include: Arms embargo; any state's ability to inspect suspected cargo, to and from Iran, on the high seas; travel ban on officials associated with the Iranian nuclear program and freezing their assets abroad; travel ban on Iranian Revolutionary Guard Corps (IRGC) and freezing their assets; block on all financial transactions with Iranian Central Bank and other banks related with the program; and embargo on Iranian companies related to the nuclear program.

Interestingly, the sanction does not cover oil exports from Iran. This may be due to the fact that China is one of the largest buyers of Iranian oil. Besides, the US and its allies do not want an oil crisis now when their economies are just peeping out of recession.

The arms embargo is not comprehensive either. Iran can buy light weapons. It is also allowed to buy surface-to-air missiles from Russia. Evidently, the Russians excluded these from the resolution. The financial transaction ban is also selective.

The new resolution does not speak of any military action if Iran does not comply. But worries will continue to be there, particularly from Israel. The IAEA has been asked to be more vigilant and report all of Iran's activities.

On May 17, Brazil, Turkey and Iran signed a uranium swap deal in Tehran. Under the deal, Iran agreed to deposit 1,200 kg of Low Enriched Uranium (LEU) to Turkey. Iran needs 120 kg of LEU for its Tehran Research Reactor. According to the deal, Iran's use of LEU would have been guided by the Vienna Group -- US, Russia, France and IAEA.

The Tehran deal was actually concluded to ward off the new sanctions that the US was pushing for the past eight months. The negotiations' last rounds, held in Geneva in October 2009 between the P5 + Germany -- known as the "six-party" -- and Iran actually failed. Since then, US Secretary of State Hillary Clinton was pushing for "tough sanctions" against Iran.

On the face of it, the new set of sanctions may not be economically crippling. But there are other worrying implications, which has hardened President Ahmedinejad's position. The European Union, United States and their allies around the world will now have the legal basis to twist and extend the interpretation of Resolution 1929 and take tough actions against Iran.

The US administration hopes that the sanctions will lead to Iran's financial insolvency, creating sufferings to poor citizens, which in turn will fuel the opposition "Green Movement" (led by former Prime Minister Mir Hossein Mousavi) and topple the cleric-backed regime of President Ahmedinejad.

Since the new embargoes will not have much effect on Iran's oil revenues, the lifeblood of its economy, it is unlikely that the "Green Movement" will be able to cash in on the difficulties caused by the new sanctions.

There is another worry for the US and Israel now. Turkey's negative vote at the Security Council and its gradual warming of relations with Iran and Syria needs to be watched closely.

Over the past couple of years, the foreign policy of Turkey, an important Nato member, seems to have undergone some significant shift. It now looks at the Arab world as a friendly neighbourhood than the West.

Its relations with Israel has suffered major a setback after Israel killed several Turks in its ship "Mavi Marmara" in the Gaza Peace Flotilla on May 31. Turkey's attempt to join the European Union has gone cold. Turkey is surely drifting away from the Western fold.

It appears that a new axis is in the offing in the Middle East. Turkey, Iran and Syria may forge an alliance to replace the old group of Saudi Arabia, Egypt and Syria.

The Revolutionary Guards, which is the backbone of the Ayatollahs and controls the nuclear and ballistic missiles programs, have developed elaborate mechanisms to go around previous sanctions.

Russia and China have considerable economic and commercial interests in Iran and have been wary about sanctions. In the process of protecting their interests, they may help Iran indirectly. They may allow Iran to go around the sanctions through third-party companies. Even Turkey and far-off Venezuela may try to help Iran to circumvent the sanctions.

Iran has been defiant all along and continued with the enrichment program. President Ahmedinejad has stated that the new sanction was a "wrong" decision and needs to be trashed. Iran shall not deter from its goal. He also threatened that Iran may now limit the access of IAEA inspectors to Iranian nuclear facilities.

The hypocrisy of the US and its allies come to the fore when fingers are pointed at Israel, which has not signed the NPT and is an undeclared nuclear weapon state. It has been committing crimes against humanity with impunity. Yet, Washington continues to protect it. But when it comes to Iran, the West does not spare it from condemnation and threatens all kinds of consequences.

The UNSC resolution is a Pyrrhic victory for President Obama. He could have achieved much more through negotiations. If the past is any guide, then Iran will break but not bend.

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