

BUDGET: 2015-16

Sonar Bangla and Sustainable Human Development

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THE Finance Minister is going to place the Budget for the year 2015-16 before the Parliament on June 4, 2015. This budget marks a point of transition for the Bangladesh economy. Despite a senseless political agitation that was mainly hurtful to the economy throughout the second half of 2013 and the first quarter of 2015, the resilient Bangladesh economy recorded its impressive annual GDP growth rate, well in excess of six per cent for seven years in a row. The per capita income has increased to 1,340 in US dollars and 2,780 in purchasing power parity (PPP) dollars. This year's budget is also welcoming a change for a better global scenario of economic recovery. Crude oil price has dropped to a third of the level compared to a decade ago. Steel and commodity prices are low as well. These help reduce budgetary subsidies allowing additional developmental allocation, preferably in the education and health sectors. The US and European countries have been welcoming labour from the developing world because of the saturation point reached in substituting labour with capital machinery. This opens up a huge vista for reaping the benefits of the Demographic Dividend for Bangladesh with 50 million youths between the age group 15-35 years. Bangladesh being in a strategically important location, winning sea area disputes with India and Myanmar at ITLOS has created enormous resources for a thriving blue economy. Solid success in economic diplomacy has catapulted the country into an enviable position of three of the four largest economies of the world with China, Japan and India actively seeking friendship and economic cooperation with Bangladesh. Budget 2015-16 would perhaps do better in focusing on domestic resource mobilisation and utilisation of the huge external assistance pipeline towards financing its 3 billion taka appropriate size. We need to come out of the twin shame of pathetically low Tax: GDP ratio (10 or 12!) and a ridiculously low number of taxpayers (1.1 million out of 165 million). There is no reason why 4 million families in possession of more than a third of income and wealth cannot be persuaded in a friendly manner to pay taxes towards financ-

ing the overall infrastructure and socio-economic development umbrella under which all of us survive and prosper. A carefully crafted regulatory mechanism amidst the ongoing liberalisation process should make it possible to raise tax and non-tax revenues to increase Tax: GDP ratio by one per cent every year to climb to 17 or 18 per cent by the year 2019-20. Time is ripe now to allow the tobacco industry to fix its own price per brand so that the government can suitably raise tax tariffs and thereby add significantly to the current tax revenue on tobacco. This also fits in well with the WHO dictum to discourage tobacco consumption. With the implementation of a big pay rise, the stage is set to carefully plan and implement a vastly enhanced payroll taxation which is inexplicably low in Bangladesh. Income from honorarium, consultancy and corporate sector perks (much of which is not even declared) has to be brought under the tax net. Compensation escalation for salaried persons should add several hundred new taxpayers. There is no reason to yield to the demand for raising the existing minimum level of taxable income. An enlargement of the taxable income slabs for the 10 and 15 percent income tax would encourage the honorarium, consultancy fee and perks income earners to declare their full income. Tax deduction at source for these categories of income could be effectively putting the onus on the employers. Real estate in urban areas may yield higher registration fee revenue, even with a lowering rate, 100 per cent coverage including the non registered cooperative housing units can be ensured. It's perhaps appropriate to bring uniformity to all advanced income tax deduction rates. A phenomenal increase in internet sales is also due to non-taxation of such transactions. VAT net should focus particular attention to the sweets and pharmaceuticals. Why is the automation of the tax administration taking so long? Capital flights and tax evasion could be curbed by stricter surveillance on the under- and over invoicing. How far is it true that e-tin system is a flawed one? Is it time yet to tax the commercial agricultural income? The forthcoming budget may be used as the foundation for furthering the sustainable human development (SHD) in Bangladesh. Industrialisation for big GDP growth, employment

as well as income generation (including a strategy for growth with equity) and poverty reduction should receive a big push. So far the structural change in GDP causing a relative reduction in the share of agriculture favoured the tertiary sector because of the trade and commerce being easier and more profitable. The reversal of the trend may start with major enlargement of investment in the textile sector from yarn making to cloth making to dyeing-finishing. The optimal way to break the somewhat sluggishness in private sector investment may be to provide fiscal incentives comparable to those provided to the RMG sector. Local value addition and employment intensity will go up. This is also likely to help the RMG because the 42 day waiting period would all but vanish. The trade concessions such as GSP and quota facilities would be available because of the Rules of Origin compliance. It is also high time to diversify RMG to newer markets and to upper end of the design. Why is the RMG sector so reluctant to access FDI? The recent opening of the US market for the hard working and efficient pharmaceuticals entrepreneurs (high value addition and employment intensity) should generate a \$10 billion of global market size, \$600 billion in the next five years. Shifting of the leather industry to the CETP facility rich Savar Industrial projects should be completed by the latest deadline of July 1, 2015; this would kick up the leather product exports from \$1 billion to \$7 billion by 2020. There is still scope for Bangladesh to benefit from an export-led strategy in the medium term. Several other sectors such as ceramics, light engineering products, sports goods, electronics, shipbuilding, handicrafts, food processing and so on. A policy review would help in moderating the monetary, exchange rate and reserve policy towards an expansionary growth path. Strict vigilance on the inflation, as has been very effectively done in recent times, will also be necessary. A big reserve and an appreciation of taka cause our import prices in foreign currency to rise thereby denting the comparative advantage in view of the deliberate depreciation of the currencies for the trade competitors. This may also adversely affect future remittances. Along with the export promotion strategy, import substitution may be sought through fiscal measures to expand the domestic

demand for Bangladeshi products. The major opportunity to transform the large population into human resources including the 50 million youths would help reaping of the Demographic Dividend. In particular, through an amicably negotiated arrangement the qaumi madrasa stream students could be brought under vocational training at government expenses, keeping intact the existing core curricula. So trained qaumi madrasa human resources would have ready accessibility in the Middle East job markets. A strengthening of BOI: more qualified human resources, empowerment to allocate two per cent of the new gas and electricity connections, a five working day one stop service and mandate to amicably settle the long pending dispute with the KOREAN EPZ will send the appropriate signals to attract FDI of at least \$10 billion (currently we access only \$1 billion out of the total FDI of \$1800 billion.) Dismantling the Privatisation Commission is an excellent idea but whether it should be merged with the BOI or should the relevant components be merging with the respective ministries may be thought over further. In any case the huge land wealth discovered in the recent survey should remain GOB property until allocated to Special Economic Zones or other use. Budget 2015-16 and beyond will have to put major priority on the transport sector. For one thing broad gauging and double tracking of railways and possible electric trains will have to be introduced phase by phase by 2021. Waterways regeneration talked about for long would need implementation sooner than later. Taking underground the rail link from Tongi to Dhaka (thereby releasing existing track and constructing upper level road wherever possible would be moves in the right direction). One major area of concern needing continuous attention is the reducing but still existing disparity of income and opportunities. The Budget 2015-16 may initiate further steps in its solution. Through concerted efforts as listed above and by other means, it should be possible to reach the objective of becoming a middle income country by 2019, to reach Medium HDI level by 2021 and High HDI country by 2030.

The writer is an economist and former governor of Bangladesh Bank.

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Combatting Islamophobia from within

Whatever the underlying causes of Islamophobia, Muslims need to spend resources and efforts to address the social and political problems within their communities and nations.



MILIA ALI

MANY Muslims currently living in the west claim that they are facing discrimination and even bigotry, on a day-to-day basis. While it's difficult to make broad generalisations on such sensitive issues, it's perhaps true that there is an anti-Islamic climate in parts of Europe and the United States that has resulted in increased hate crimes against Muslims. Statistics reveal that there were only 40 to 50 anti-Muslim hate crimes per year in the US before 9/11. Since then these crimes have increased to 100, and then to 150 annually. The Islamophobia that has gripped certain segments of western societies is fuelled by an exaggerated fear of Islam as a violent religion. This hostility is partly the result of negative stereotypes promoted by certain individuals and groups. For example, in the US, the Sharia law conspiracy theory, perpetuated by some members of the Republican Party, holds that the strategy of "stealth jihad" aims at the infiltration of national institutions through the propagation of the Sharia legal system. In Europe, right wing politicians proclaim that increased Muslim immigration may result in transforming "the continent into an Arab colony, Eurabia." There is also a broader trend where hatred against Muslims is propagated in the social as well as mainstream media. Reportedly, after the 2014 release of American Sniper (a movie about a US Navy Seal assigned to hunt for al-Qaeda leader Zargawi), violent threats against Muslims became more common. Sadly, the transmitters of hate are not always held accountable for their actions. The unintended fallout of all this is that many




PHOTO: AFP

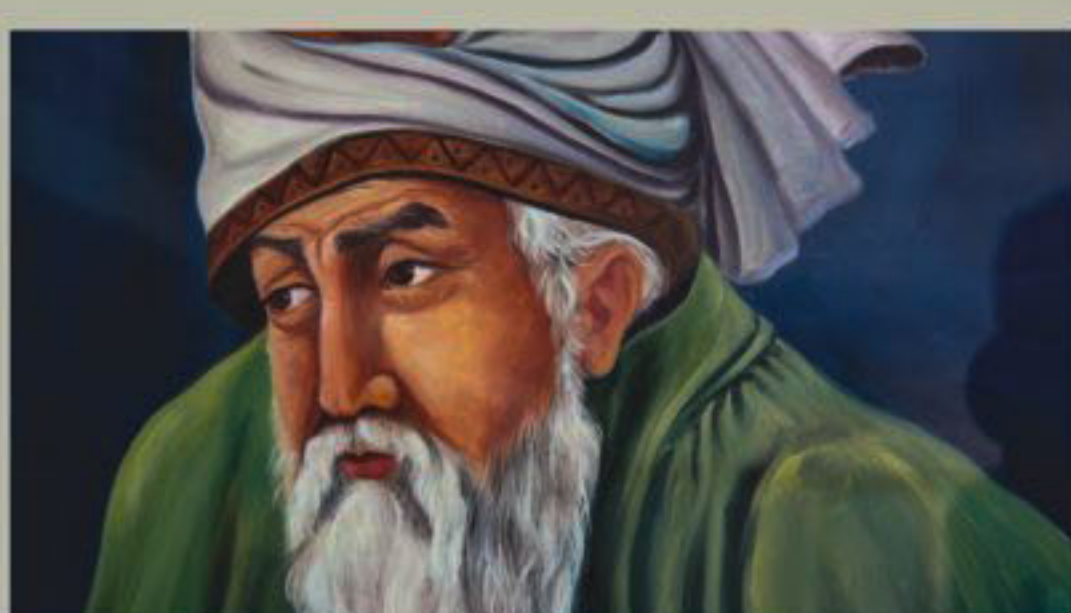
European and American Muslims are now feeling marginalised, insecure and polarised. Although most of them are against terrorist acts and are often victims themselves, they are being pronounced "guilty by association" because of the broad-brush anti-Islamic propaganda. While there is no "one size fits all" solution to this complex global problem, I believe that there are two ways Muslims can combat the growing Islamophobia: they can either become defensive and go into a shell, or they can be proactive and address the underlying causes of anti-Muslim sentiments. A starting point may be to look at the phenomenon from a neutral perspective and ask: "Why is there a pervading anti-Islamic trend in the world, especially the western world?" If we take account of the violent actions of the so called "Islamists" in the recent past, we might begin to understand why people harbour negative feelings toward Muslims. The appalling beheadings and

indiscriminate killings by the Islamic State, the abduction of adolescent school girls by Boko Haram in Nigeria, the murder of journalists in Paris at Charlie Hebdo's office, the brutal massacre of school children in Peshawar, the hacking of atheist bloggers in Bangladesh and the most recent shooting of members of the Ismaili community in Pakistan are being perpetrated by people who assert that they are following the dictates of the Quran. Unfortunately, these barbaric acts have reinforced the hate narrative against Islam. The counter narrative that the extremists are grossly misinterpreting Islam seems to be making no dent on non-Muslim audiences, who are unfamiliar with the tenets of Islam and have little time and inclination to analyse the Quran and its contents. They only see the writing on the wall that tells a harrowing tale of carnage committed in the name of Islam. Playing the Islamic card serves the purpose of

the terrorists and bigots who want to foster hatred against the west. It also helps them exploit the negative energy of impressionable and frustrated youngsters by making them believe that fighting a religious war and martyrdom will ensure a place for them in heaven. Analysts and experts' theories claim that most terrorist acts are reactions against the social and political injustices in many Muslim dictatorships, supported by the western powers. The misguided and unfair policies of the powerful western nations and the targeted killings of Muslims in war zones are also cited as reasons for the deep-rooted anger and hatred that the terrorists harbour towards the west. Whatever the underlying causes of Islamophobia, Muslims need to spend resources and efforts to address the social and political problems within their communities and nations. They should "live" the true message of Islam in order to change stereotyped impressions. Community leaders must encourage others to become good citizens and role models. More importantly, they must have the courage to criticise and resist those who promote strife and spread the message of hate, particularly in madrassas and mosques. Rather than suffer from the "victim syndrome" and become defensive or go on an attack mode (using counter arguments about violence perpetrated by other religious groups), Muslims need to break walls and build bridges through interfaith collaboration. They must become more inclusive and adaptable. The only way they can change perceptions is by reaching out and convincing people that they have a shared interest in working toward a peaceful and prosperous future for their families and children. The writer is a renowned Rabindra Sangeet exponent and a former employee of the World Bank.



QUOTABLE Quote



RUMI (1207-1273)

Out beyond ideas of wrongdoing and rightdoing there is a field. I'll meet you there.

CROSSWORD BY THOMAS JOSEPH

ACROSS

- 1 Biblical kingdom
- 6 Sketched
- 10 "Alice" star Linda
- 11 Cheering word
- 12 Turn aside
- 13 Ham's device
- 14 Cooking fat
- 15 Change genetically
- 16 Binary digit
- 17 Shoe hue
- 18 "Gnarly!"
- 19 Learned inside out
- 22 Commotion
- 23 Grass clump
- 26 TV horse
- 29 Feeling down
- 32 "My word!"
- 33 Mess up
- 34 High point
- 36 Office note
- 37 Modify
- 38 Wash-room sight
- 39 Al of "Today"
- 40 Not obtuse
- 41 Try for a fly
- 42 Uses a keyboard


DOWN

- 1 Ski run
- 2 Some cigars
- 3 Neighbor of K2
- 4 Rail or quail
- 5 Wee worker
- 6 "Blast it!"
- 7 Speed trap need
- 8 Musical set in Argentina
- 9 Courted
- 11 Dark-haired one
- 15 Ruin
- 17 "Mr. Mom" co-star
- 20 Director Burton
- 21 Bill word
- 24 Makes available
- 25 House muncher
- 27 Scandal subject
- 28 Un-manned fliers
- 29 Surgery souvenirs
- 30 Permit
- 31 Football coach Mike
- 35 Convene
- 36 William H. of "Shameless"
- 38 Night flier

Yesterday's answer

C	L	A	R	K	O	P	E	R	A
A	A	R	O	N	R	U	M	E	N
S	I	T	T	I	N	G	B	A	C
E	L	S	S	E	A	I	L	L	
S	A	Y	W	H	E	N	L	I	E
			R	E	D		L	E	N
S	I	D	E	S	W	A	D	E	S
O	M	E	N	S	R	I			
M	A	N	S	T	I	R	R	U	P
E	G	O	M	A	G	O	N	O	
H	I	T	T	I	N	G	B	A	C
O	N	E	A	L	L	A	D	L	E
W	E	D	G	E	E	A	S	E	S

BEETLE BAILEY by Mort Walker



HENRY by Don Trachte

