

## Tobacco production kills

Make it more costly and less attractive

WE are shocked at a report in this daily yesterday marking 'World No Tobacco Day', that has revealed that as many as 3000 children aged between seven and 15 work in bidi factories in Lalmonirhat. Other children of this area work in tobacco fields. Thus, instead of going to schools these children work for hours on end in the fields and factories where they are exposed to the harmful nicotine fumes emitted during production and deprived of fresh air. Often the entire family is engaged in the tobacco production and so suffers from all kinds of ailments caused by the bidi-making process. Because of poverty and lack of alternative options of livelihood, the people of Lalmonirhat are compelled to go into tobacco farming, often involving their children as well.

Add to this the astonishing finding reported in this paper that prices of essential food items have risen more than the price of tobacco products. This means tobacco has become more affordable than food! Many farmers have switched from cultivating food crops to tobacco farming. This is because food crops have become costly to produce and do not give the expected returns while tobacco cultivation gives higher profits.

Such a grim picture must provoke the government to take immediate steps. Firstly, it must initiate special safety net programmes for the ultra poor in these areas, to encourage parents to send their children to schools instead of the factories. Secondly, the tax on tobacco products have to be increased to make them more expensive to consume and produce. Finally, farmers must be given incentives to make food crop cultivation viable enough so that they do not shift to tobacco farming.

## Revenue collection shortfall anticipated

Reforms needed urgently

IT is hardly surprising that a premier think tank in the country has once again calculated that the government in all probability will miss its tax collection target. The analysis is based on the performance of the preceding three years where the National Board of Revenue (NBR) failed to reach revenue targets, and there are valid reasons for the shortfall. This year's revenue collection has been set at 35 per cent above the revised target and stands at Tk203,150 crore for FYI 2016-17.

What is perplexing is how such an ambitious target has been set in the first place. More so, since NBR collected 90 per cent of the target in 2014-2015, and there are many factors that can hinder tax collection. When we take into account the fact that this year's budget is considered by some as very ambitious and that a number of incentives such as lower corporate income tax, reduction in custom and supplementary duties and the fixation of 0.6 percent tax at source for apparel (as opposed to the proposed 1 percent) - will all eat away at revenue collection, we are apprehensive that the target will not be met.

Perhaps the upcoming flat rate VAT at 15 percent on more than 1,900 tax-exempted products that will come under the law is expected to greatly help with revenue generation. However, without urgent reforms that allow tax payers to file returns and pay taxes online seamlessly, and expanding the tax base, it may be immensely difficult to meet the revenue target. These are the areas that require urgent government intervention. Otherwise, we may once again witness a revision of the budget half way through implementation.

## LETTERS TO THE EDITOR

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### Spiraling prices of essential goods



Prices of essential commodities have already gone up ahead of Ramadan belying repeated government assurances. We are afraid of further price hike during Ramadan. According to the government sources there is no shortage of supply of commodities in the market. There are some unscrupulous businessmen who manipulate the market to make extra profit. We urge the government to take stern action against these rogue elements and rein in soaring prices.

Md. Ramiz Hossain  
Dhaka

### What a mockery!

More than 100 people have been killed and hundred others injured in electoral violence in the recently held Union Parishad elections. This is unprecedented in the history of Bangladesh. The village people don't want violence in the name of election. They want to cast their votes in a peaceful environment which was totally absent in the UP polls. So, we urge the concerned authority to take effective action to stop electoral violence.

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# Visit of Prime Minister Sheikh Hasina to G7 Outreach meeting What it means for Bangladesh

ASHRAF UD DOULA

THE honorable Prime Minister of Bangladesh Sheikh Hasina made an official visit to Japan from May 25-28, 2016, upon an invitation from the Prime Minister of Japan, H.E. Mr. Shinzo Abe, to attend the G7 Outreach meeting held in Kashiko Island, Shima, Mie Prefecture, held on May 27. The Outreach meeting was the follow up of the G7 summit, which was held a day before.

As much as it is a distinct honour extended personally to our Prime Minister, it is also a manifestation of Mr. Abe's personal attachment to Bangladesh and his commitment to contribute to the development of the country individually by Japan, as well as collectively with other developed countries.

The significance of the visit must therefore be analysed more from a multilateral perspective rather than a bilateral context. It needs considerable effort and a huge amount of diplomatic initiatives for a leader of a developing country to hold bilateral meetings with the leader of a developed country. A meeting with several leaders of the developed countries in one setting is certainly one of the rarest opportunities. The participation of Sheikh Hasina at the G7 Outreach meeting, therefore, provided her an unique opportunity to interact with the handful of top world leaders whose countries' collective GDP equals to 46 percent of the gross global GDP.

Apart from delivering an important statement before the summit leaders, the PM held talks with US President Barack Obama, British Prime Minister David Cameron, Canadian Prime Minister Justin Trudeau, German Chancellor Angela Merkel and other leaders. On conclusion of the Outreach meetings, she held a bilateral meeting with the host, Shinzo Abe.

Of late, Bangladesh has been receiving negative coverage internationally because of certain unpleasant incidents in the country. The recent spate of targeted killings of a number of people, which included foreign aid workers, bloggers and members of minority communities have been attributed to the presence of IS in the country. The mayhem and violence that characterised the ongoing local elections did not help matters much. To observers, this demonstrates a fundamental fissure in our democratic practices. Such incidents certainly do not bode well for the country, and adversely impact its image. A recent discussion in the British Parliament on Bangladesh is a case in point.

Although our Constitution attaches highest value to the preservation and protection of citizen's lives, the state has clearly fallen short of its obligation to its people. Our leaders have vehemently denied the presence of IS in the country, terming the incidents as an evil design by the opposition and fundamentalist groups to obstruct development initiatives of the government and malign its image internationally.

However, international perceptions are not formed by what our leaders say or do not say. These perceptions are formed by: a) the reports foreign envoys send to their home countries and; b) independent sources, including the media.

Prime minister Sheikh Hasina's presence at the above mentioned Outreach meeting, while raising Bangladesh's profile internationally, also provided an opportunity for her to give her own perspective of the

situation in Bangladesh to her counterparts who matter globally.

As far as bilateral relations are concerned, they are well-ensconced in their respective state and are progressing earnestly. Mr. Abe promised to remain on Bangladesh's side in its efforts to realise its 2021 vision. He also reiterated his commitment to the development fund, which has already been pledged. Further intensification of Japan's development partnership with Bangladesh will be determined upon our proper and transparent utilisation of those funds.

In this context, it may be mentioned that during his official visit to Bangladesh in September 2014, Mr. Abe brought along with him nearly 200 prospective investors of Japan, including the chairman/CEOs of all the major business houses of the country. The visit generated great enthusiasm among the Japanese businessmen, and I was pleased to sense

country has experienced following Mr. Abe's visit. They are not interested to know who the perpetrators are. They want to know whether the country they are investing in is conducive to investments and guarantees personal safety and safety of movement.

I am not sure if our embassy in Tokyo maintains a list of the businessmen who visited Dhaka with Prime Minister Abe or whether the former had kept in touch with the latter. It would certainly be a productive initiative to reach out to those businessmen and continue to encourage them to invest in Bangladesh.

There is no gainsay that Bangladesh has made enviable progress over the years. Especially, since the present government's return to power in 2009, development of the country - encompassing all the major sectors, for example, agriculture, infrastructure, power and energy, industrialisation, poverty alleviation, empowerment of women,



PM Sheikh Hasina with Japanese Prime Minister Shinzo Abe such a positive impression after talking to several of them.

During his visit to Dhaka, Prime Minister Abe was generous enough to invite me for a personal chat over a cup of coffee. I was extremely pleased to hear his vision of "Big B", a development plan that will transform Bangladesh into a major regional economic hub. He also shared with me his personal admiration for Prime Minister Sheikh Hasina.

Similarly, His Majesty, the Emperor of Japan, also possesses tremendous admiration and respect for Bangabandhu. He fondly remembers his visit to Bangladesh in 1974, and meeting our Father of the Nation.

As to why the momentum of Japan's anticipated investment has not been sustained is a question we must ask ourselves. My own research suggests that most of the potential Japanese investors got cold feet because of the spate of violence that our

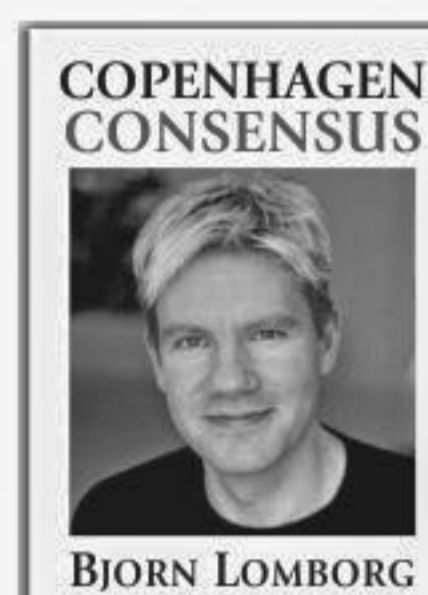
education, health, etc. - has been tremendous. From being a chronic food deficit country in the 70s and 80s, today not only are we self sufficient in spite of the doubling population, we have also started exporting our agricultural products, including rice.

According to reports, the major ongoing projects in Bangladesh have a cumulative value of over USD 40 billion, which proudly signals the direction the country is moving in. However, we still have a long way to go to realise the dreams of Bangabandhu. We should not sit on our laurels and be complacent. We have to be more active, resilient and pay heed to the advice of our all-weather global friends like Japan.

In the same token, we should also be sensitive and responsive to the bilateral and international aspirations of Japan.

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## Liberal trade policies to boost the best



BJORN LOMBERG

rate, which takes into account tariffs and other trade barriers, was 74 percent. Today, that rate is just 27 percent.

Slashing high tariffs and opening up the economy has produced great benefits for the country, because consumers can buy products where they can be produced the cheapest. Largely thanks to such reforms and related export incentives, Bangladesh's export sector has boomed, particularly in apparel. But costs from some aspects of trade policies that remain inefficient and cumbersome continue to hold back additional gains that could be achieved.

What strategies can best promote trade, helping the economy and its export sectors flourish even more?

New research by Selim Raihan, Professor of Economics at the University of Dhaka and Executive Director of the South Asian Network on Economic Modeling (SANEM), and Farazi Binti Ferdous, research fellow at SANEM, highlights trade policy reforms that can benefit Bangladesh. In particular, further efforts to liberalise trade promise to bolster the country's most successful industries even more.

Many people have strong feelings about trade liberalisation, partly because of the way the costs and benefits of such policies are distributed. The costs are relatively small, but they are concentrated and pronounced in specific sectors where people might lose their jobs and need retraining. The overall benefits, on the other hand, can be incredibly large, but are spread widely across an entire economy and population. As consumers, all people benefit from cheaper goods from free trade that lower the cost of living, but the benefit to each person is modest.

With increased liberalisation, there would be costs to domestic producers

and markets that become exposed to foreign competition. Some workers in these industries may even lose jobs. The most affected areas of the Bangladeshi economy would be light manufacturing, utilities and construction, livestock and meat markets, and mining and extraction.

But while more liberal trade policies would help promote much higher growth in the most efficient and productive ones. Essentially, more free trade would make Bangladesh focus its efforts on what it does best. The majority of industries would see increases in output, because the entire economy would have access to cheaper goods and services.

The economists examine the

The analysis also explored a second strategy: broad investment in better infrastructure and transport procedures to facilitate trade. High transactions costs from transit and customs procedures still slow formal trade in many areas. These inefficiencies weaken links to the global economy and can diminish export competitiveness and foreign investment.

Bangladesh's international standing in various measures that are related to ease of trade reflect these weaknesses - the country ranks 148th in the UN's International Supply Chain Connectivity index, lagging far behind regional competitors like Sri Lanka and India. When it comes to the World Bank's index that measures ease of cross-border trade, Bangladesh ranks 174th out of

market, where commercial banks are participants and act as primary dealers of government debt, its secondary bond market is still nascent, with only two corporate bonds operating in the country. The lack of a well-developed bond market and, by extension, the absence of an advanced financial sector, impeded economic growth.

The authors examine a proposal to establish an active secondary bond market so that government and private sector can mobilise more resources for long-term investments. The Asian Development Bank is currently funding a government programme with Tk. 19.5 billion to implement the structural reforms needed to increase liquidity in the bond market, broaden and diversify the investor base, and enhance the supply of alternative financial instruments.

One major benefit of the reforms would come from lower interest rates that would result, which are closely associated with higher investment and increased economic growth. The lower interest rates would benefit both government and private corporations. And research from the experiences of other countries, particularly Kenya, confirms that there are considerable benefits to economic growth associated with bond markets. A second major benefit would come from the reduced transactions costs that would come from a more transparent Bangladeshi bond market.

Overall, each taka spent toward creating a bond market to mobilise more resources for long-term investments could do perhaps 3 takas of good.

The findings mentioned above suggest that both trade facilitation and reforming trade policies would bring substantial benefits to the economy. If you were in charge, how would you choose to spend resources aimed at doing the most good for the country? We want to hear from you at <https://copenhagen.fbapp.io/tradepriorities>. Let's continue the conversation about how to do the most good for every taka spent in Bangladesh.

The writer is president of the Copenhagen Consensus Center, ranking the smartest solutions to the world's biggest problems by cost-benefit. He was ranked one of the world's 100 most influential people by Time magazine.

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economic impact of a 50-percent reduction in current tariff levels. This is done in the state-of-the-art computer model of Bangladesh's economy, the so-called Computable General Equilibrium model. The model shows that the textile and clothing sectors - industries where Bangladesh has comparative advantages - would benefit most, with an estimated growth of 5-6 percent. Liberalisation would also bring an associated gain in income for everyone in the country of about 1-2 percent - this is the large overall benefit that would be spread widely across the entire population.

While not all would gain initially, the overall impact of liberalisation would bring a significant and permanent boost in Bangladeshi GDP. Each taka spent toward liberalising trade would do 10 takas of good.

189 economies. The authors examined ways to simplify trade processes, which would increase transparency and efficiency while minimising transactions costs. Specific measures would include improving coordination of exit and entry posts at border crossings, as well as spending to improve road and rail transport and connectivity. In all, each taka spent on trade facilitation would yield about two takas of benefits.

A second analysis, by M.G. Mortaza, an economist at the Asian Development Bank, and Wasel Bin Shadat, a Lecturer in Econometrics at the University of Manchester, examines a related proposal to boost investment and drive economic growth: creation of a secondary bond market. While Bangladesh already has a primary bond