

Don't borrow from banks for deficit financing

FBCCI calls for exploring other sources

STAR BUSINESS REPORT

THE Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) yesterday urged the government to explore all sources other than banks to finance the budget deficit in the next fiscal year.

"Otherwise, the government's high volume of bank borrowing will deter cash flow to the private sector," said Sheikh Fazle Fahim, the newly elected president of the country's apex trade body.

He called for using various financial tools like infrastructure funds and bonds to fund the deficit financing.

He was attending a post-budget press conference in the FBCCI conference room in Dhaka.

The finance minister has proposed to borrow Tk 47,364 crore from the banking system to meet the budget deficit for 2019-20.

Terming the budget proposal popular and business-friendly, Fahim said micro, small and medium enterprises (MSMEs), meaning those with small incomes, should be kept out of the purview of value-added tax (VAT) so that they could grow further.

If the informal MSMEs can grow further and build a strong capital base, they could be brought to the formal economy and contribute more to the economy through employment generation and tax payments, he said.

The application of the new VAT law from the beginning of next fiscal year may turn troublesome

and create scope for harassment of businesspeople as no one is familiar with it, said Fahim.

"So, the authorities should be careful while applying the law at the field level."

Fahim said the law's introduction would not create any distance between the FBCCI and the National Board of Revenue as both important organisations work through joint engagements.

Still, if any dispute arises for businesspeople, it can be resolved through consultations, he said.

He advocated for allowing undisclosed money to be invested in different productive sectors so that the ventures could also contribute to creating jobs for the



youth.

Allowing the untaxed money to be invested will also stop capital flight from the country, enabling the informal economy to enter the formal one, he said.

Fahim appreciated the government's "special attention"

and "high allocation" to areas such as social safety net, infrastructure, poverty reduction, education, health and agriculture.

Siddiqui Rahman, senior vice-president of the FBCCI, said businesspeople are terming the proposed budget business-friendly as many demands raised earlier have been addressed.

On the imposition of 1 percent source tax on export receipts, he said the rate was imposed in budget proposals every year and later adjusted through discussions with the government.

The rate was 1 percent in the outgoing budget proposal but it was later revised down to 0.25 percent, he said.



FBCCI President Sheikh Fazle Fahim speaks at a press meet to share the apex trade body's observations on budget 2019-20, at its conference room in Dhaka yesterday.

Budget to open up new prospects for grassroots entrepreneurs



MOUSUMI ISLAM

An ambitious budget has been proposed. All the eye-catching elements can be found in it.

To us, the only question is: What role is it going to play in the field of grassroots business? Is it going to be a motivating cyclone, a slow breeze of hope, or a disaster that may ruin the consistent rise of SMEs in Bangladesh?

In the last few years, we have seen vital changes in Bangladesh initiated by the grassroots entrepreneurs.

As far as we can see, the proposed budget has taken steps that will improve the lot of the grassroots. Milk, sugar and rice bran industries are going to be encouraged and the existing grassroots producers and entrepreneurs are going to be helped. This is a big step towards building a bigger and better entrepreneur family in Bangladesh.

The agriculture sector has been encouraged in every way possible. From no tax on essential agricultural inputs to keeping the chemical fertilizers' price unchanged for the next five years, all possible steps have been proposed to ensure the growth of the sector which influences not only agro-based businesses but also all types of grassroots businesses directly or indirectly affiliated with it.

Local bakeries will be benefited if the proposed budget remains intact about the reduction of prices for biscuits, bread and handmade cakes.

The SME sector has been given emphasised more than expected. Tax-free turnover limit has been proposed to increase to Tk 50 lakh from Tk 36 lakh, which is a step towards encouraging the youth of Bangladesh. The proposed VAT for SMEs and encouraging banks to provide necessary support to them will open up a new opportunity to create an SME-based economy. It supports the Sustainable Development Goals 1, 2 and 8 directly.

There is, however, some concern about the situation of the health sector, which is linked with the SDG 3.

The sector has been given encouragement in various ways. Infant mortality rate has decreased and life expectancy has increased at a faster pace. But still, we can't deny that, compared to other sectors, it is not being given enough attention.

The proposed budget has allocated Tk 29,881 crore for the sector. Of the sum, the development budget is Tk 9,937 crore and Tk 19,944 crore will be used as the benefits and salaries of public servants. Every year this sector's budget is increasing, so development works and monitoring of them should be emphasised.

Focus has been given to women development. No doubt, the proposed plan is going to play a vital role in reducing the gender gap in the commercial sectors. Women taxpayers in general will also be benefitted. It is the perfect time for them to come forward and support women empowerment with a view to building a better society and a better nation.

We can see certain emphasis has been given on motor and compressor industries. The price of many raw materials will come down. As a result, these industries will certainly feel a wind of change. The

same goes for specific raw materials of construction materials like bricks and pebbles. The iron industry should get consideration as soon as possible.

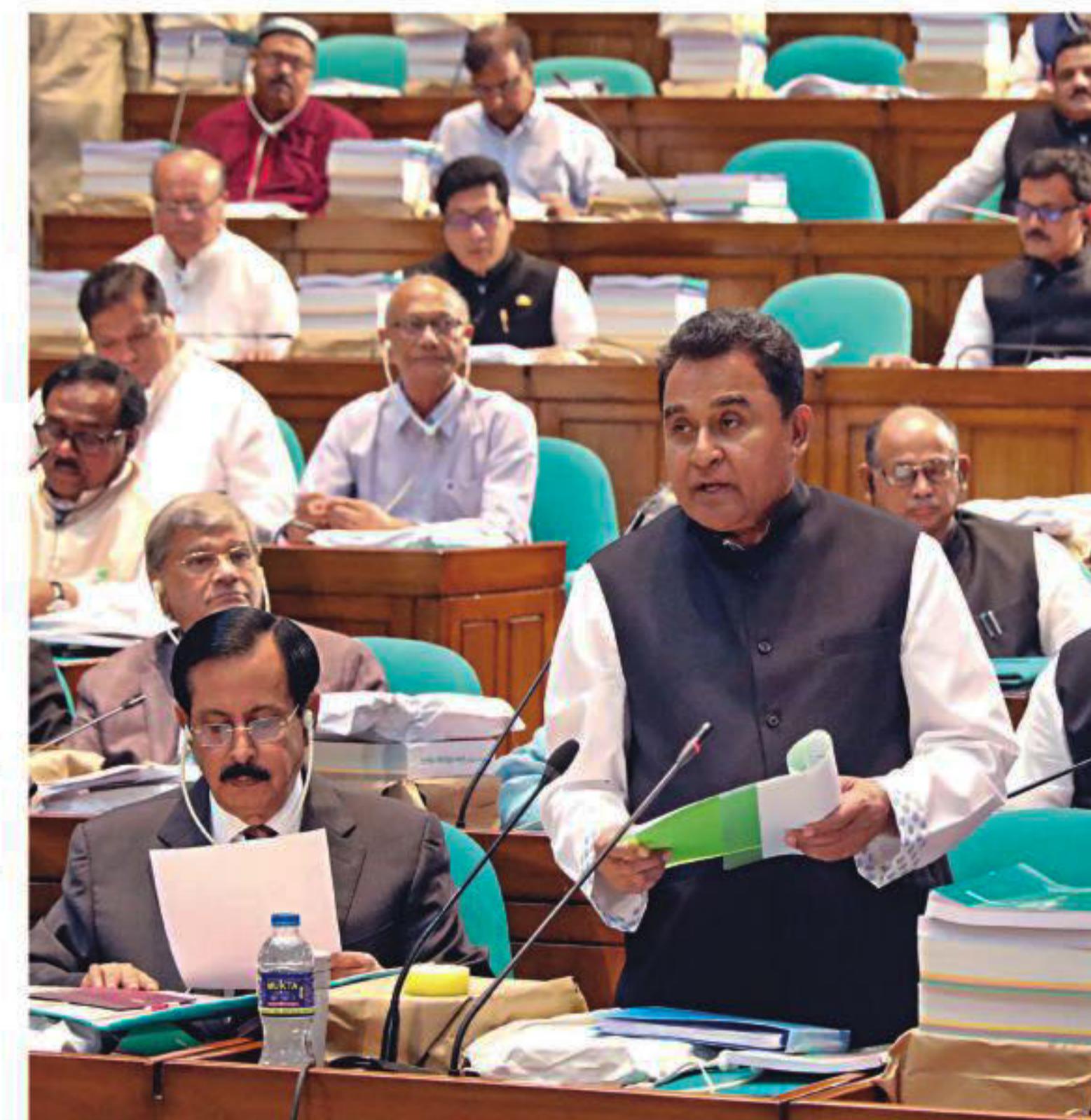
The RMG and textile sector has continued receiving attention. The proposed policies for the sector will certainly give a boost to boutiques. It will be a relief for the grassroots entrepreneurs as the raw materials are going to be cheaper.

The cash dividend has been encouraged and the stock dividend has been discouraged. As a result, the grassroots will feel encouraged about investing in the stock market. But it should be regularly monitored to ensure the sustainability of the system.

There are a few minor issues such as increasing the cost of mobile phone use and the price of imported smartphones that may discourage the upward growth of Digital Bangladesh.

Overall, the proposed budget, in many ways, will play a vital role in opening up new prospects for the grassroots entrepreneurs.

The writer is president of the Association of Grassroots Women Entrepreneurs Bangladesh.



Finance Minister AHM Mustafa Kamal delivers budget speech for 2019-20 at the parliament in Dhaka on Thursday.

India set to levy higher tariffs on some US goods next week

REUTERS, New Delhi

INDIA is preparing to impose higher tariffs on some US goods including almonds, walnuts and apples next week after a delay of about a year, two sources said, following Washington's withdrawal of key trade privileges for New Delhi.

From June 5, President Donald Trump scrapped trade privileges under the Generalized System of Preferences (GSP) for India, the biggest beneficiary of a scheme that allowed duty-free exports of up to \$5.6 billion from the country.

India is now looking at adopting the higher tariffs, the sources with direct knowledge of the matter said, although the US has warned that any retaliatory tariffs by India would not be "appropriate" under WTO rules.

"What India is doing is legal and the tariffs on US goods will only lead to an impact of around \$220 million," one of the sources said, declining to be identified because of the sensitivity of the matter.

India's Ministry of Commerce and Industry did not respond to an email from Reuters to seek comments.

India initially issued an order



A man holds the flags of India and the US while people take part in the India Day Parade in New York.

in June last year to raise import taxes as high as 120 percent on a slew of US items, incensed by Washington's refusal to exempt New Delhi from higher steel and aluminium tariffs.

But New Delhi repeatedly delayed raising tariffs as the two nations engaged in trade talks. Trade between

them stood at about \$142.1 billion in 2018.

India is by far the largest buyer of US almonds, paying \$543 million for more than half of US almond exports in 2018, US Department of Agriculture data shows. It is the second largest buyer of US apples, taking \$156 million worth in 2018.

The art of money: New Paris museum puts economy centre stage

AFP, Paris

Do consumers make rational choices? It might not sound like the title of an art exhibit, but it's one of the questions visitors can contemplate at France's first museum aimed at revealing the arcane theories and systems underpinning the global economy.

But the Citeco, housed in a sumptuous neo-Renaissance palace built by a banker in the 19th century, also takes up a tougher challenge: reconcile the French with a subject often viewed with a mix of suspicion and contempt.

"The idea is for people to better understand and grasp the economy, that its general mechanisms be laid out in one place, because the level of comprehension is not what we would hope," Philippe Gineste, the director, told AFP at the museum's inauguration on Friday.

The launch has included an extensive advertising campaign – "Take control of the economy!" – and a revamped website urging people to "Dare the Citeco experience."

It could be a tough sell, despite the 50 million euro (\$56 million) renovation to show off the ornate marble and woodwork of the red-brick monument, formerly a branch of France's central bank.

"I'm a bit sceptical about the project, for one thing it costs 12 euros to get in," said Emmanuel Feutry, 64, who came from his home in Seine-Saint-Denis outside Paris – one of the poorest departments in France.

He didn't have to pay though during the free opening weekend, and said he came mainly to admire the architecture.

"But the exhibits are well done," he said while browsing the vault, which is still surrounded by the narrow moat built into the heart of the building.

The museum is banking on 130,000 visitors a year, including some 30,000 students as young as seven or eight.

The project was conceived after a visit by the former Bank of France governor Christian Noyer to the MIDE interactive economics museum in Mexico City, which opened in 2006. Many of the exhibits are hands-

on, including a contest where players compete to get to the beach fastest by figuring out how to make or trade for sunglasses, hats and other things they'll need.

Another one invites users to calculate the ideal age for retirement, all while spelling out the risks to pay-as-you-go pension systems.

Visitors can also sit down to a negotiating table and try to hammer out a global accord on cutting carbon emissions: "Find middle ground between common objectives and your national interests."

"When you do things, you retain the information better," Gineste said. "The idea is to have people do things, touch and handle them, so they can interact completely with the content."

Despite the effort to avoid lecturing, however, subjects like hyperinflation or financial crises don't always lend themselves easily to fun and games.

"The Pros and Cons of International Trade," for instance, lets visitors watch video lessons given by their choice of two French economists – it's a safe bet most grade-school students won't find it riveting.