

## Bangladesh can be the region's voice of reason

Our foreign policy should focus on friendly relations and no external interference

In recent years, the Indo-Pacific region has become a major focus in international politics, especially in the wake of the Russia-Ukraine war and the increasingly complicated relations between China and the West. The entire South Asia region is now no stranger to the political struggles of the three major powers, with one US-based foreign policy expert recently describing it as their "battleground" in a seminar in Dhaka.

Bangladesh's geographic location, its growing importance in regional connectivity and relations, and the crucial role it plays as the host to over a million Rohingya refugees, means we are now finding ourselves in more challenging diplomatic situations. While we have managed to play a delicate balancing act and maintain relations with all the major actors so far, experts have warned that if faced with a significant global event that strongly pits Russia or China against the US and its allies, Bangladesh could face unprecedented pressure to pick a side.

In a world that is becoming more and more polarised every day, it is now even more crucial for Bangladesh to maintain its simple yet effective foreign policy position: "Friendship to all, malice to none." This foreign policy dictum, first put forward by Bangabandhu Sheikh Mujibur Rahman in the Cold War era, has guided our country through decades of political upheaval and sensitive diplomatic situations, while also enforcing our right to carve our own path without caving in to external pressures. Given the growing engagement with South Asian countries from Washington, Beijing and Moscow, it is imperative that we now take a stronger stance in exerting our independence to choose what is best for us as a nation.

History has taught us that smaller countries are always at risk of becoming pawns in a much larger political game. We have also seen how such power struggles ultimately benefit no one, and as the world moves from crisis to crisis, human rights and global cohesion end up taking a back seat. In such situations, countries like Bangladesh can play a crucial role in being the voice of reason and emphasising the importance of regional and international cooperation instead. Bangladesh is already an important actor in global climate leadership; we must continue to strengthen partnerships with countries in similar positions and urge major powers to move away from militarisation and focus on the most critical need of the hour: human rights and socioeconomic development in the era of the climate emergency.

## What about human development?

Progress does not depend on megaprojects only

We laud the astute observations of the state of our economy by noted economist Wahiduddin Mahmud at a discussion with journalists, organised by the Economic Reporters' Forum on Saturday. He pointed out that megaprojects alone cannot bring about development unless it is accompanied by development in human resources. We echo this perspective that treats development as an overall enhancement of economic and social progress in a country, rather than a narrow definition that extols the benefits of only modern, impressive infrastructure.

The noted economist has aptly pointed out that if the traffic were managed better – which would include making sure buses stopped at the designated stops – it would ease the traffic congestion a great deal. Thus, before megaprojects were initiated, the basic traffic governance should have been prioritised. In fact, we would like to add that if the authorities had enforced discipline on the roads, made sure that unfit buses could not operate and footpaths and parts of our roads were not encroached upon, much of the gridlocks we face could have been avoided.

Megaprojects are financed with huge foreign loans, and these put a big debt burden on Bangladesh. In the last three years, Bangladesh's foreign loans have doubled to \$100 billion, and within the next three to four years, the country will have to repay \$5 billion every year. Meanwhile, only \$1 billion in FDI has come in despite all the megaprojects being implemented. At a time when the economy is facing high inflation, depleting foreign reserves and current account deficit, in addition to the severe impacts of the pandemic and the war in Ukraine, the government cannot afford to solely focus on implementing megaprojects. It is vital for the government to take heed to the anomalies pointed out by the economist and adopt the recommendations given.

We would like to emphasise that the government must enforce proper governance of the financial sector and stop the default culture that has bled dry many of our banks. Those who have taken out thousands of crores of taka in loans and laundered the money abroad with no intention of repayment must be brought to book and the funds brought back to the country. The government must also overhaul the education system and focus on the quality of education from primary to tertiary levels, developing more polytechnic institutes to ensure skilled human resources.

While megaprojects can bring about great connectivity and a boost in commerce, the government must also prioritise the basic requirements of human resource development, which includes good health, affordable prices of essentials, safe roads, quality education, relevant technical skills, and decent employment. All this will require strategic planning, investment and political will.

# EDITORIAL

## A faulty tax policy equals a dehydrated housing sector



### OPEN SKY

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The housing sector in Bangladesh faces one of the biggest debacles in the country's history in the wake of the doubling of tax rate on urban property registration. Apart from the intricate details, it can be roughly said that the tax rate has been raised from four percent to eight percent on the deed value of the housing property, flats and land plots in the latest budget, without an understanding of what grave consequences this faulty policy may have. It will hurt fixed-earning households and the middle class by favouring wealthy buyers, bribe takers, and the corrupt. When high inflation has already eroded savings and purchasing power in the country, this additional tax burden on home buyers has added fuel to the flame quite mercilessly.

The art of designing tax rates warrants more economics than straight-line accounting in it. It is not simple high school arithmetic where we learnt that the total volume of tax doubles when the tax rate is doubled. It is more of macroeconomics, public finance, and finally welfare economics, factors that were largely missing in many tax rates of the previous budgets. The proposal of taxing Tk 2,000 for anyone holding a tax file number is testament to how ignorant the ministry was to the state of the poor. Moreover, no remarkable tax hike on the super-rich is an example of how the affluent were favoured by public policy.

Economist Arthur Laffer, adviser to US President Ronald Reagan, showed that simply raising tax rates does not necessarily guarantee a higher amount of revenue. Rather, lower rates can eventually generate higher revenue collection. Thus, there is an optimal rate above which any tax rate hike will be detrimental to the economy. This idea later created the theory of the Laffer curve. Laffer himself credited this concept to the 14th century Islamic scholar Ibn Khaldun. Hence, some economists jocularly call it the "Khaldun curve." Some historians later used Khaldun's concept to claim that the drastic fall of many empires, including the Roman one, is attributable to exploitative tax rates.



High taxes led to tax evasion, financial corruption, shrinkage in the revenue base, and public discontent – which triggered the rapid fall of the extractive empires. The wisdom related to these anecdotes and theories advocate that designing tax rates is not a simple exercise of arithmetics or accounting – it is more of economics and ethics.

By following Laffer's advice, the Reagan administration gradually lowered the marginal tax rate from some 70 percent to 28 percent, and its revenue collection ultimately increased by almost 40 percent. This was termed the tool of supply-side economics, which the Republicans seized as their success mantra, while the Democrats mainly stuck to Keynesian demand-side economics. Although fight between the two sides continues, one consensus has been achieved in that a mindless increase in tax rates – which the consumers will be tortured to pay – will eventually be detrimental to both revenue collection and economic growth. That is exactly what is happening now in Bangladesh's economy, where the urban middle class is increasingly becoming powerless to buy real estates and the housing

almost a 70 percent decrease. The partial August figure runs short of last year's August figure by Tk 50 crore. In the FY2023-24 budget, the target for registration tax has been set at Tk 4,700 crore; the achievement so far is less than three percent, suggesting that the higher tax rate for urban property registration is highly exploitative and self-destructive. Sheer accounting without any cultivation of economics proved faulty and damaging for both builders and buyers of the real estate sector.

One of the country's top developers, interviewed by *The Daily Star* in June, asserted that the property registration cost was 15 percent of the value before, which was already a painful burden for buyers. The FY24 budget raised it to as high as 19 percent. Thus, a flat priced at Tk 1 crore would cost an additional Tk 20 lakh even if it was a second-hand property. The developer also claimed that property registration cost in Bangladesh is too high compared to India, Pakistan, Malaysia and Thailand, where the fee ranges between four and six percent. Is Bangladesh more developed than countries like Malaysia or Thailand

that the government can justify this coercive tax rate that has already begun to shatter the dream of owning humble abodes by fixed-income, middle class people who cannot launder money overseas, and thus cannot buy multiple mansions abroad? This faulty tax policy goes against the principles of the country's prime minister, who finds home

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ownership as part of the development fundamentals the regime is pursuing.

As another daily reported in July, under the Income Tax Act, 2023, the "gain" tax on plots, flats and commercial establishments in all parts of the country has doubled and redoubled. The report asserts that the source related to the housing sector said the registration cost has increased 24 times in some areas due to revenue loopholes. Additional duty has been imposed on at least 12-13 products including cement, stone, tiles, lifts, ceramics, glass, switches, sockets, cables, and kitchenware. The developers assert that these additional taxes will raise prices of flats further up, and buyers will have to pay that eventually.

Construction and transportation sectors together now occupy more than 16 percent of Bangladesh's GDP – bigger than the share of the whole agriculture sector, ensuring a rising trend of employment. But the tax rate poses a serious threat to the growth of the industry. The tax rate should go down to as low as two to three percent to help the middle class, stimulate the housing sector, and thus contribute to employment and economic growth.

### FREEDOM OF EXPRESSION IN BANGLADESH

## Navigating biases, power dynamics and media integrity



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Freedom of expression is a fundamental human right that holds immense importance in any democratic society. It serves as a platform for individuals to voice their opinions, share their thoughts and ideas, and engage in meaningful discussions and debates. However, the extent to which freedom of expression is upheld and practised varies from one country to another. In Bangladesh's case, although freedom of expression is enshrined in the constitution, its implementation faces significant challenges.

At first glance, it may appear that people in Bangladesh enjoy the freedom to express themselves without fear of persecution. The media also seems relatively free to report on matters of public interest. However, a closer examination reveals the existence of substantial limitations to this freedom.

One of the serious issues with freedom of expression in Bangladesh is its heavy bias towards certain individuals and groups. While some individuals, particularly those who are part of the ruling elite or possess political influence, can freely criticise the government and its policies, others

do not have the same privilege. Those who lack political connections or are not part of the ruling elite face restrictions in expressing their opinions. They often become targets of persecution when they dare to speak out against the government or its policies.

Furthermore, freedom of expression is confined to specific topics in the country. People are allowed to discuss issues that do not directly affect the larger population, but they are prohibited from being critical of the government's failures or the shortcomings of its institutions. To achieve this, the government employs various tactics such as intimidation, harassment, imprisonment, and even violence. The media is not immune to such suppression, as journalists are frequently targeted and attacked for reporting on sensitive issues. Such restrictions do not align with the principles of democracy.

In Bangladesh, a unique style has emerged, favouring those who have political connections or are part of the ruling elite. This creates a significant power imbalance, silencing the voices of the majority while allowing the

minority with access to power to dominate the conversation.

How did the country arrive at this point? Is it solely due to the efforts of successive governments to silence dissidents, or have the institutions tasked with protecting the rights of the people also succumbed to vested interests?

While it is valid to discuss the failure of institutions, a sizable portion of the blame falls on the media in Bangladesh as well. Impartial and unbiased journalism is increasingly limited in the country – not only due to informal embargoes and formal legal restrictions but also due to other factors. One crucial factor is the prevalence of media and journalists being aligned with partisan politics. While journalists having political alignments is not inherently wrong, it becomes problematic when they forget the fundamental principle of journalism: presenting the facts. Journalists with political biases or perceived biases often manipulate or distort information to support a specific political agenda or gain personal advantages. They tend to align themselves with the political party in power, compromising the freedom of expression that is crucial in a democratic society.

Another concerning trend in Bangladesh is the influence of businesses or business conglomerates that own media outlets. These entities often leverage their media ownership to protect their business interests by eliminating competitors or evading accountability for crimes and

wrongdoing. In such cases, the media outlets tend to align closely with the power structure, serving the interests of those in power, rather than speaking up for the people.

Even in the presence of formal and informal restrictions imposed by the state, journalists should be able to report freely on matters of public interest. This freedom is essential for the press to remain relevant and create a platform for open dialogue among the people, their representatives, and public institutions. By doing so, the press can uphold the citizens' right to freedom of expression.

Journalists and media organisations in Bangladesh must reaffirm their commitment to impartiality, independence, and the presentation of facts. By adhering to these principles, they can counteract the influence of partisan politics and business interests on journalism and contribute to the preservation of press freedom in the country. Additionally, efforts should be made to foster a media environment that encourages diverse perspectives and safeguards the integrity of journalism.

In a democracy, freedom of expression encompasses the right to criticise the government and its policies, and the press is expected to be free from bias. If Bangladesh aims to progress towards a more democratic society, it must ensure that freedom of expression is guaranteed to all its citizens, irrespective of their political affiliations or social status. But the question remains: how can the country do so?