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Budget 2011-12 should be investment friendly

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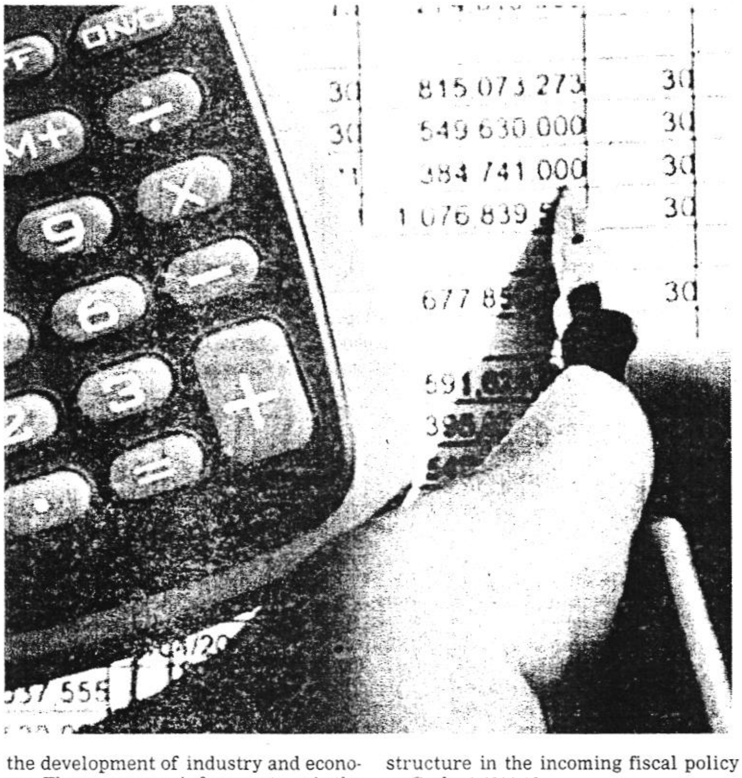
THIS is a break-through stage in the economy of Bangladesh with a transition period from agriculture to industry. It doesn't mean that the importance of agriculture has been decreased. Economic break-through and the economic transition from agriculture to industry means that the recent economic stage deserves emphasis on physical and non-physical infrastructure and industrial development. It is worthwhile to mention that over-populated economy of Bangladesh may be better utilised by investing in a plenty of labour-intensive industry. Neighbouring China is the most populated country and one where labour-intensive industry is emphasised. China would be in a competitive position with U.S.A in a decade from now. The engine of economic growth in China is the labour- intensive industry operated by educated and skilled manpower. Very recently, minimum wage of Chinese labour has increased to a substantial level. So the soil of China is not very attractive any more to quite a few domestic and international investor and multinational company in China. Many of the Chinese labour-intensive industry would like to switch to other countries including Bangladesh neighbouring to China. However, in the over-populated country of Bangladesh, labours are very cheap, hardworking and loyal etc. Recently a large number of women in Bangladesh have been participating in garments industry, NGOs, self-employed business. Therefore, a golden opportunity has been lying before Bangladesh to attract a large number of labour-intensive Chinese industries into its own land. Such an effort by Bangladesh would accelerate its industrialisation. Savings and investment is the engine of growth of any economy. The recent expansion of share market in Bangladesh is very conducive to the saving and investment opportunity.

Investment means the employment and re-employment or utilisation and re-utilisation of land, labour, capital, technology, management and the physical and non-physical infrastructure available in the country. Investment-friendly budget is very necessary for the development of industry and economy. The necessary infrastructure is the communication including road, water- and airways, railway and telecom etc. Among the other important infrastructures are water, light, gas, electricity, solar energy, swerage, anti-pollution provision etc., without which industrial development simply will remain a dream. The people of Bangladesh would like to see the effective reflection about the development of industrial infrastructure in the incoming fiscal policy or Budget 2011-12.



Budget will also consider the issue of food security. Subsidies in agriculture have to reach the deserving farmer in a timely fashion. Not all the farmers deserve to receive subsidy in agriculture production. Equitable distribution of agriculture subsidy may be undertaken by selecting the poor and deserving farmers. It may be noted that the issue of food security is not as much a priority issue in Bangladesh as before. Because of the advanced agriculture research, food shortage in Bangladesh has decreased to 10 percent or lower. However agriculture research, innovation, high yielding varieties, agricultural inputs including seed, fertiliser, irrigation, insecticides etc. must be ensured to provide food security. Shifting the agriculture production pattern from rainy to dry season has been an additional advantage for food security and it must be considered in the budget allocation. To ensure food security, the government should decrease agricultural tax, increase import quota, if any. Import tax on industrial raw materials would have to be as minimum as possible. Subsidised interest rate on industrial loan and tax holiday for a longer time would attract the industrial entrepreneurs.

The issue of taxes is importantly and directly related to the fiscal budget. For example, it is surprising that less than 1% people in Bangladesh with a population of 16 crore pay income tax. Budget policy should take into account the fact that the rate of income tax and source of tax, scope and holders of TIN number are to be expanded to a substantial level. The higher tax and non-tax income will increase the ability of the government to purchase goods and services and will minimise or eliminate the budget deficit. At this developing stage of Bangladesh, the government should go for higher loan from its people, financial institutions and the external source. Higher tax and non-tax income source of the government will help it to repay the internal and external loan more smoothly than ever before.

In conclusion, higher tax issue, increased investment-friendly environment, increased communication facilities, ensuring water, gas, electricity around the industrial belt, attracting labour intensive industry from neighboring countries and China, providing food security and the other related factors will ensure the industrialisation and economic development in Bangladesh at its economic break-through stage of transition from agriculture to industry.

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