

Of diminished kings and vanishing empires Stalemate in Palestine

SYED BADRUL AHSAN

MONARCHIES are anachronistic affairs, in these times of growing modern sensibilities. It makes sense, therefore, for Nepal's Maoists as also some ministers in the new government of Girija Prasad Koirala to suggest, plainly or in so many words, that King Gyanendra might have to go. The issue here is not what crimes or misdemeanours the monarch is guilty of, though there is much that Gyanendra can be held accountable to. He has presided over times of manifest wrong; and he has patently given people around the world to understand that monarchies as a rule are happy in their state of insensitivity. If the demand arises in Kathmandu today for the king to be put on trial, in much the same way that Charles I was made to appear before Parliament in the seventeenth century to answer for his tampering with life and the law, one ought not to be surprised. Even kings and especially kings commit wrong. And many of them have, throughout the meandering course of history, paid for that wrong.

The reason why King Gyanendra should go is one that should be coming from deep within his heart. With the Nepalese government having decided to strike out everything that is an invocation to royalty in the affairs of the kingdom (de facto it is no more a kingdom but a republic), with the armed forces slipping out of his hands, with the legislative body ordaining that the royal family pay taxes like everyone else, there is little reason for Gyanendra to continue. He can do the honourable thing, which is to abdicate and let the people and politicians of Nepal decide the future of a country long stifled in the embrace of its royals. And yet there is a bit of history to consider here. Kings and emperors have rarely, if ever, decided to go on

King Gyanendra will not be amused by such tales of royal prerogatives. But he just might reflect on the brooding King Arthur of yore. 'A dark day, a troubled day', muttered the king as he walked up and down the long, lonely corridor of his palace. Merlin the magician corrected him. 'It is a day, just a day, Your Majesty', said he. 'You have a dark and troubled mind'. In these times of political diffusion, monarchies can sometimes be troubled.

their own. It was only the winds of change that compelled them into decamping with their lives and reputation. Some of them, once they found themselves jettisoned by their subjects, waited to be restored to their thrones.

Think back on the young Shah of Iran, who had little choice but to leave Tehran when General Mossadegh nationalised the oil industry in the early 1950s. It was the CIA that engineered his comeback; and once back, he embarked on a reign of terror, in literal terms. His security forces made thousands of Iranians disappear and left many more thousands in a state of permanent physical and psychological injury. There were all the pretensions to grandeur in him, arrogance that led him into celebrating the 2,500th anniversary of the Persian monarchy in 1971. The son of a military officer who then manoeuvred his way into becoming king, the young man convinced himself that he was historically part of royalty. His pretensions came to an end in 1979 with the rise of the Ayatollahs in Iran. It was a deserved fall, though one is not quite sure whether the regime that replaced his has been able to position the country on a perch Iranians would have liked it to.

But you cannot really deny that the Ayatollahs, feisty and combative as they have been, have added to the self-esteem of Iran's people. Take away the American hostage-taking issue of 1979, strike out all references, because they are less than sophisticated, to the Great Satan, take away too Mahmoud Ahmadinejad's invectives against Israel -- and what you have is a

better country than what the Shah made it out to be in his years of royal tyranny.

Ten years before the flight of the Iranian monarch, a young Libyan army officer named Muammar Gaddafi led a swift, short revolution in Tripoli. King Idris, truly representative of ancient feudalism, was deposed and Libya embarked on the road to constructive nationalism. You may have a good number of reasons to take issue with Gaddafi, but you cannot say, honestly, that he has not injected life and vigour into a nation that had long waited for his coming, or that of someone of his kind. The lesson here is a cardinal one: monarchies, being the vestigial aspect of old-fashioned politics they are, are ill-equipped to promote the public weal. Of course, there is the quite different matter of tradition, as in the United Kingdom, where the monarchy holds, and justifiably, extremely symbolic value. Abolish royalty in England, Scotland and Wales and what you are left with is a huge sense of vacuity. But such vacuity is not what we came by in the 1970s in Greece, when the democratic government of Premier Konstantine Karamanlis showed the already deposed King Constantine a polite way out through organising a referendum on his future. The king, in exile since the colonels' coup of 1967, obeyed. These days, he grows old in thoughts of what used to be.

If the Greeks thought that the monarchy was redundant, the Spaniards adopted an entirely different view. King Juan Carlos, having been groomed for his duties by an old and certainly dying

Generalissimo Franco, serves today as a necessary embodiment of Spanish political cohesiveness. He has used his moral authority to send plotters against democracy packing, in much the same way that Thailand's Bhumibol Adulyadej has often stepped in to chide squabbling politicians about their responsibilities to the country. In Spain and Thailand, more symbolism than anachronism has been at work. So far, the system has paid dividends.

How should one deal with the question of Ethiopia? Emperor Haile Selassie, who shook up the world with his call for freedom before the League of Nations in 1936, succumbed to a radical coup led by the likes of Mengistu Haile Mariam in 1974. The new rulers displayed not the slightest respect toward the monarch and took the life out of him by pressing a pillow on his face. In 1978, Sardar Mohammad Daoud, cousin to Afghanistan's King Zahir Shah, decided in the infinity of his wisdom that the monarchy needed to be thrown out the window. The consequences were horrifying. Afghanistan simply regressed from isolated feudalism to loud darkness, as first the Mujahideen and then the Taliban were to demonstrate so eerily. George Bush and Tony Blair, in their eagerness to place Hamid Karzai in office, were perspicacious enough to pave the way to a restoration of civilised government by first taking Zahir Shah back home, of course as a respected former king.

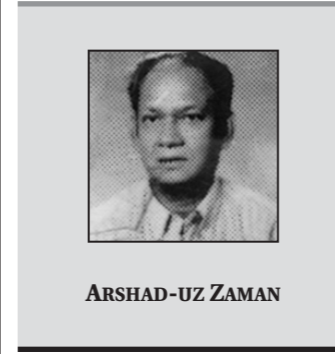
Monarchs sometimes render themselves open to ridicule. And there are some who take flight in the face of foreign aggression, sit

out the occupation until their friends help their subjects liberate the land. The Kuwaiti royal family moved off to Taif in Saudi Arabia in 1990 and only came back after America and its friends had driven Saddam Hussein out of its kingdom. Today the Kuwaiti monarchy is an entrenched reality, as obstinate as the royal families of Saudi Arabia and (despite their pretensions to modernity) Jordan and Morocco. And that bit about ridicule, the ludicrous as it were, came through the inanity of what Jean-Bedel Bokassa called the Central African Empire back in the early 1970s. A man who had stormed to power through a coup, he called himself Emperor Bokassa I. Deposed in 1979, he went off into exile in France, returned some years later and was promptly thrown into prison. So much for his vaunted dynasty. The king of Bhutan marries, by tradition, not just the woman who will be his queen but all her sisters as well. That is a bonus, as much a cheering happenstance as the king of Swaziland periodically taking a new wife through picking one of the many bare-breasted women gyrating before him as part of traditional festivities.

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In these times of political diffusion, monarchies can sometimes be troubled -- and troubling. And darkness is what they cause to descend on lives, often.

Syed Badrul Ahsan is Executive Editor of Dhaka Courier.



ARSHAD-UZ ZAMAN

A stalemate is being witnessed in the internal politics of Palestine as well as in Israel. There are no signs that the stalemate is going to be broken any time soon.

Since the elections within Palestine, the world had great difficulty in digesting the resounding victory of Hamas and the defeat of the long time fighter for Palestinian independence Al Fatah, established by the icon of Palestinian struggle Yasser Arafat. The West had long time ago branded Hamas as a terrorist organisation and unfit for taking its place at the table of negotiations with lively Israel. The West, deeply involved with the survival and prosperity of Israel had not noticed the dynamics amongst the Palestinian population.

The Palestinians had become disenchanted with Fatah for its failing to produce any result. Life was becoming progressively unbearable for the average Palestinian. Meanwhile Hamas, which had distinguished itself in the battle field and was the only force successfully facing the Israeli challenge, had gone ahead in winning the hearts and minds of the Palestinians. The result was their victory against the long entrenched Fatah.

This resembles in many ways the march of events within Israel. Although Israel today gives the impression of a monolith eager to execute the plan laid out first by Ariel Sharon and faithfully carried out by Ehud Olmert, the reality is that the current rightist government has to totally depend on the support of slightly left leaning Labour led by the old stalwart Shimon Perez.

THE HORIZON THIS WEEK

Any solution during the Presidency of George W. Bush should be ruled out. He is far too partisan on the Israeli side and for any settlement to take place the most important player, the US, has to be seen to be totally non-partisan and fair and even handed between the Palestinians and the Israelis. This was one chance in a million in the case of President Clinton. Watching the situation in both camps perhaps it would be best to wait for a better turn of events.

In fact the entire Israeli policy revolves around her relation with Palestine and more importantly with USA. Ariel Sharon had exceptionally close relation with US President George W. Bush and literally called all the shots of the White House. Thus when Sharon after a long period of bombing and destruction of Palestine with tacit blessing from the White House, started his unilateral plan of redrawing the borders of Israel and virtually turning Palestine into a visected Bantustan, he had total support from President Bush. He was struck by incurable illness and his unfinished task has been taken over by Ehud Olmert.

Israel Premier Olmert has paid a visit to President Bush recently. As usual the President has underscored US commitment to continue to support Israel in its plan to redraw the map of the region. Only Ehud Olmert is no Ariel Sharon and the relations between him and Bush lack the depth with his predecessor.

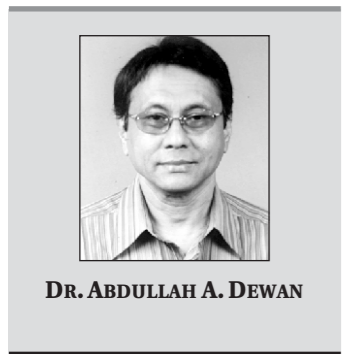
Israel since its birth has been obsessed by the idea of her security. The Palestinians, who lost their land in the 1948 war became refugees in the region and continue to be so to this day. The Palestinians vowed to throw the Israelis into the sea. Nearly 60 years have elapsed and it has remained a pipe dream as Israel as a state, thanks due to total support from the US has firmly taken her place within the comity of nations. Hamas is one of the last holdouts, who would want to see Israel vanish from the face of the earth. The Iranian

President Mahmoud Ahmadinejad, who periodically threatens Israel with extinction, only responds to Israeli threats and Israeli proddings of her friend the US to teach Iran a lesson, specially due to the latter's so called nuclear ambitions.

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Price spirals and possible remedies



DR. ABDULLAH A. DEWAN

PRICE spiral, a feedback loop in which wage hikes due to inflation cause firms to raise prices which in turn lead to demand for further wage increases, perpetuating the cycle. Any wage increase without the concomitant increase in productivity gain (output/worker) adds to the cost of production and thus prices of goods we buy rise.

Price spiral can also be triggered by shortages of one essential consumer goods such as "rice" or even a single raw material or factor of production such as imported petroleum products. As the price of rice rises, sellers of other essential commodities will raise their prices to afford themselves the consumption of rice. Workers who sell their labour, in turn, demand higher wages thereby setting a perpetuating cycle.

There is another microeconomic channel of price spiral called wage-wage spiral (generating price spiral), which occurs when one group of workers receive or negotiate a wage increase which sparks off a series of wage demands from other workers to maintain their relative cost of living.

The factors highlighted above are the antecedents to cost-push inflation. Other factors which also contribute to cost-push price spirals are increased import prices of raw materials, a depreciation of currency (Taka) and increased indirect taxation.

NO NONSENSE

In a market economy, the government has the obligation to see to it that markets function efficiently and that the playing field is level for all participants. This requires mobility of factors of production, free flow of information regarding prices and technology, and competition among buyers (for outputs) and sellers (for inputs). Market regulation by the government is not about price control, it is to ensure that the operating rules do not discriminate individual participants or interest groups based on political affiliations, ethnicities, and religious bias.

consumer goods such as rice, edible oil, vegetables, sugar, salt, onion, and other related produces are domestically produced. Daily price swings in any of these are not symptomatic of "too much money is chasing too few goods", or demand push inflation. People can consume only so much of these essentials on a given day. Hoarding large quantities of rice, sugar and salt seems extremely risky and unlikely unless the hoarders and traders are politicised and protected.

Price spiral also occurs through expected future price increases. Such expectation of price increases is self-fulfilling; in an effort to beat tomorrow's price hikes of daily essentials consumers buy up goods today to hoard them aggravating the already vicious price spiral. Unless these price expectations are curbed by increased supply of goods whose prices run away faster, price spiral would be a nightmare.

In a market economy, prices are always subject to change based upon market forces and the interaction between consumers and business. This change in prices and the degree of the consequent change in demand and supply is known as elasticity.

Factors which effect supply elasticity are: price, resource costs, technology, competitive products, profit expectations, number of sellers, natural events, taxes, subsi-

dies and government regulations, overproduction, inability to produce an item, and scarcity of natural resources.

It is well known that inflation benefits some at the cost of others. During periods of inflation, tax revenue of the government increases because the government can collect more taxes from businesses and people when higher prices push both business profits and incomes. As a result, some governments are willing to tolerate and may even manipulate market to let prices rise moderately to increase tax revenues and collect political contributions, the so called "tolls" for cooperating with businesses. Fixed income consumers are the worst hit by price spirals. Industrial disputes may occur if workers are unable to secure wage increases to restore their standard of living. Garments workers' recent violent unrests and protests is a burning example in point.

Although, the microeconomic milieu of firms and businesses in Bangladesh may not conform wholly to many of the assumptions of western free market models, the prescriptions to cure some of the same economic ills are not poles apart. We know that prices are the precursors to everything that happens in a market economy. Today's shortages and price spirals of daily essentials may become the caveat for tomorrow's surplus productions and price deflations.

Because, resources are attracted to the production process which promises the highest returns, the market process will attract resources and entrepreneurs to the production of the goods which experienced shortages and unusual price spirals. Depending on the diagnosis of the market's ills, the government should develop policies to complement that process by adopting the following measures:

- Introduce a price and income policy to free price and wage increases;
- Develop a policy for an appreciation of the domestic currency;
- Reduce indirect taxation which stands in the way of entrepreneurs who want to invest in the production of daily essentials;
- Encourage entrepreneurs to invest in substitute goods and thus promote competition;
- Import capital goods and technology which assures efficient production of goods chronically in shortages;
- No price control policy measures or even a false threat about it be made because that would only discourage potential investors from taking future investment ventures in the areas in which price control is being talked about.

The doctrine of laissez faire would ask the newly appointed Commerce Minister not play dice with "price control", instead look for sources of market imperfections

such as price colluders (price fixers), the Cartel (supply cutters) and ways to dismantle and castigate them. Price controls without the synchronised increases in supply will exacerbate the situation with black market trading. If supply is ready at hand, then there is no need for price control to start with except only to punish the hoarders.

Barring unanticipated adverse weather conditions, a government which fails to guarantee bare daily necessities to its citizens loses the legitimacy to rule. The hue and cry about price spiral has been raising alarms for over two years now. The alliance government has been ignoring it the same way it treated the terrorists' menace as the creation of the unfriendly media and opposition's figment to spawn anti-government frenzy. Yes, the media and politicians by public pronouncements can create a fleeting onrush in price swings only to be smoothed out almost immediately by free flow of information about prices and supplies.

In a market economy, the government has the obligation to see to it that markets function efficiently and that the playing field is level for all participants. This requires mobility of factors of production, free flow of information regarding prices and technology, and competition among buyers (for outputs) and sellers (for inputs). Market regulation by the government is not about price control, it is to ensure that the operating rules do not discriminate individual participants or interest groups based on political affiliations, ethnicities, and religious bias. Although, these prescriptions are in contrast to the ruling alliance's ideology of politicising anything and everything, there is no detour from the free market's law of operations.

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Calling for an SME revolution

What Bangladesh needs is its own SME revolution. It is high time that our government makes bold changes to policy and encourage the development of the SME entrepreneurs across the country; we need our banks to extend a helping hand, and we need our population to be more aware of the industry and about the difference it can make to the economy in the long run.

DEWAN SAJID AFZAL

SMALL and medium enterprises (SMEs) are the spirit of this nation's economy. The entire length and width of this country are filled with millions of small tea stalls, bakeries, rice mills, workshops and manufacturers who are working day and night to contribute to their families, neighbourhoods and societies. But unfortunately their contribution to the country's economy is limited. While they have been relentlessly pursuing aspirations to become a model to their families, in most cases these entrepreneurs end up scavenging for what very little they can conjure. The reason for this however is pretty simple. The SME industry in this country is not dynamic, not for its own sake but mainly due to lack of proper financing options, reinforcements and general awareness.

The financial help received by the commerce of this country mainly comes from banks, NBFIs (Non-Banking Financial Institutions) and NGOs (Non-Governmental Organisations). While the banks and the NBFIs concentrate on the big fish, the NGOs tend to help the poorer, more disadvantaged populace. What this does is inevitably create a gap in the middle that is deprived of any financial support; this "missing middle" is the SME entrepreneurs. According to the World Bank there are approximately six million such entrepreneurs in Bangladesh struggling to develop their business and make a living.

Before we divulge deeper it's better we define SME industry for a clearer understanding of what it means in the Bangladesh context. The World Bank defines SME in Bangladesh as any working entity or

business employing five persons or less. Unfortunately, Bangladesh Bank, in its brilliance of a better comprehension of the economy, officially defines any company with a hundred employees or more a small enterprise. This gap in numbers has created confusion within the banks and NBFIs, some of whom are making the best of the confusion by financing bigger industries in the name of SME.

But not to deny any credit to those who deserve it, there are some banks that have been working relentlessly to help finance the "real" small and medium enterprises. "While SME is a fashion to other banks it has remained a passion for us" said a senior banker working in one of the few banks excelling in the SME finance business. And it is true that there are banks out there that have gone out of their way to develop and finance small and medium enterprises reach their potential. Like a modern day Robin Hood these banks have been taking from the rich and giving it to the poor -- taking valuable funds collected in the urban areas to the cash-starved semi-urban and rural areas for investment.

Unfortunately not enough banks are coming forward to help the SME community this way. That is why we see thousands of people migrating everyday from the rural to the urban areas in search of a brighter future. Ironically even the cities do not have enough jobs available for these people and thus all this activity only escalates the existing unemployment situation. Today there are almost thirteen million unemployed people in this country -- thousands of whom are qualified doctors, engineers and teachers. The lack of adequate guidance and finance is slowly leading to a state of deca-

dece. This needs to change and can change. With a little help from the government and a lot of effort from the financial institutions things can turn around. For example, if banks decide to invest in and finance a certain part of their portfolio to help the SME industry, it could inject much-needed funds to revitalise the struggling commerce in the rural and semi-urban areas.

Countries like Malaysia, Singapore, Indonesia and Thailand have already realised the strength and potential of the SME sector. Their respective governments have relentlessly pursued to establish policies that have favoured SME entrepreneurs and built formidable economies on the backs of these business enterprises. The leadership had a vision and they went the extra yard to see it come alive; the banks obliged.

What Bangladesh needs is its own SME revolution. It is high time that our government makes bold changes to policy and encourage the development of the SME entrepreneurs across the country; we need our banks to extend a helping hand, and we need our population to be more aware of the industry and about the difference it can make to the economy in the long run. Loans like Anannya, Apurba and Pathshala for small and medium enterprises already exist. There are also doctor's loan for doctors and teacher's loan for teachers in the market. Big changes can only come about through customisation of the products for SME customers. Not only do we need more, we have to expect more. Banks and NBFIs should be encouraged to step up to the challenge and we need more people to be responsive to the changes.

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