

## Finally, an MOU

No foot-dragging in implementation, please!

A redeeming feature of the otherwise horrifying month-long labour unrest in our garment industry has been the three-party MOU that seeks to redress the grievances of the workers and address the concerns of the owners.

The most positive aspect of the understanding is the time-bound plan for the implementation of the accord. The wage board formed on May 31 will declare a minimum wage for workers by August-end. The other terms of the MOU will have been implemented by 30 June. These are features, which we would like to think display the urgency of the parties concerned in resolving the problems that generated the crisis in our RMG industry.

However, one notices with a degree of dismay the negative signals that had issued from related quarters in the industry in which certain issues like minimum wages and trade union rights were made to appear as intractable problems that might prevent a quick resolution of the matter. Thank God, the hump has been crossed. We would suggest that from here on there should not be any foot dragging in the implementation process that might plunge the industry once again into trouble. We would like to think that with the signing of the agreement the stumbling blocks towards elimination of the workers' distress have been removed.

Thus, just as we request the owners and the management in the garment industry not to dawdle in implementing the MOU, so do we request the workers to shun belligerence in ventilating their grievances. After all, everybody's interest is at stake and no one is any better off when garment factories are damaged and production hampered.

We suggest that all parties involved build upon the positive trend that we hope will ensue from the understanding, and work towards not only to further strengthen the RMG sector but work even harder to offset the damages that the weeks of unrest have imposed on it.

It will do us all well to remember that we face stiff competition in what is a buyer's market. The buyers might be forced to turn away from us should unrest continue to beset our RMG industry.

MOU, to our mind, is an understanding which is short of a full-fledged agreement. Our appeal to all sides will be to turn it into a binding accord.

## Child labour is a shame

Bigger collective effort needed to eradicate it

A common thread ran through the sentiments voiced by the ILO, Unicef, Bangladesh government, media representatives and trade union leaders on World Day Against Child Labour observed Monday characterised by a good deal of concern over the issue. Even in their recommendations one noticed a considerable degree of unanimity.

First, the magnitude of the problem was clearly highlighted. Due to restrictions in the export-oriented industries, child labour is non-existent in that sector. They are mostly taken into the informal sector having been driven by sheer poverty. There are 13 lakh child workers in extremely hazardous professions with four lakh being absorbed in light engineering sector. In addition, there are many children who are working as domestic help, not to speak of teeming hundreds and thousands of street children and those hooked in child prostitution.

While poverty reigns supreme, law and compulsion can do very little to turn the tide. Generally it is said that if education spreads and social awareness against child labour grows, the problem will be automatically alleviated, but that will not be enough. There will have to be concrete alternatives for the engagement of children in career building activities, in contrast to premature job holding or allowing them to float as destitutes. There are two examples worthy of replication if we want to make a real headway: First, at the Unicef's initiative we have eight thousand education centres spread across six administrative divisions catering to the educational needs of two lakh children. Secondly, there are 45 child welfare primary schools for eight thousand children. There have been initiatives from NGOs and government's social welfare ministry for imparting vocational training to juveniles from vulnerable families. These are actually the projects that must be multiplied.

# Indian defence minister's visit to China: Implications



HARUN UR RASHID

Many argue that the visit may usher in an era to develop the world's biggest market and could provide all SAARC nations with strategic and economic support. The rapport between China and India is likely to work to the advantage of all South Asian countries, if sound and pragmatic policies are adopted. It seems that Mukherjee's visit to China confirms the doctrine of Sir Winston Churchill who said: "To jaw-jaw is always better than war-war."

where he moves around the world, a political headache for China.

However, since 1989, a new phase appeared to have set in because China de-regulated its economy and moved towards market economy. Economy has become the centre piece of China's foreign policy, although politically it remains controlled by the Communist Party.

The bifurcation between economy and politics is a move never attempted before by any Communist State. Some argue that the former Soviet Union would not have collapsed had they adopted this bifurcated policy.

Since 1991 India has also de-regulated its economy. Both countries saw that they need each other in an environment of economic globalisation. India's bilateral trade with China reportedly stands at about US\$ 7 billion from meager millions just ten years ago.

Both China and India felt the need to resolve some of their political issues including the outstanding border disputes (Sino-Indian border runs about 3,500 kilometres). China and India came to an understanding that political disputes should not impede close economic relationships. Accordingly, they reached an understanding on border disputes.

### Significance of the visit

The visit has been both cause and

effect of a shift in defence policy of both countries. Cooperation in defence between the two perceived rival countries was unthinkable a decade ago but the very fact that China has warmly welcomed the visit of India's Defence Minister commences a new phase in their relationship in defence cooperation.

Mukherjee's presence in Beijing provided him the opportunity to sign an accord that would institutionalise military training, exercise and other contacts between the two countries' armed forces. The purpose of the accord will aim to develop "a strategic and cooperative partnership for peace and prosperity between India and China" and at enhancing trust between the two militaries.

Mukherjee who earlier visited both Washington and Moscow cannot ignore Beijing at the time when China is emerging as a major player in world affairs. Furthermore China is a veto-wielding nation in the UN Security Council. Last year India saw that its hope of getting into the Council as permanent member along with Brazil, Japan and Germany was dashed, partly because of China's opposition to the expansion of the Security Council.

India has also to calm China's concerns about the Indo-US nuclear deal in which India will get not only nuclear fuel but updated technology for its nuclear plants

in return of inspection by the IAEA to some of its nuclear plants. Although the deal is directed to civilian use of nuclear fuel and technology, many countries perceive that it could be diverted to military use as India has not been a party to the 1970 Nuclear Non-Proliferation Treaty.

It is believed that Mukherjee's visit to Beijing is to explain the nuclear deal with the US so as to assure China that India's use of nuclear fuel and technology from the US will remain peaceful and is solely directed to energy generation for its ever-growing economy.

China is said to become the world's third-largest nuclear power with about 400 nuclear warheads. The US considers China as strategic competitor and has stepped up its efforts to cultivate and use India as an instrument of containment of China. Whenever China's defence expenditure rises (in 2005 China increased its defence expenditure to 12.5 per cent), the US cautions China for its transparency for its spending and perceives expenditure on military intimidating to countries in the region.

Both India and Japan are also allies of the US and Mukherjee is likely to provide assurance that China is not being encircled by US allies in the same way when India complained in the 70s the Sino-American rapport indicated a hidden US-Pakistan-China plan

to encircle India. Strategists say that India wants to assure China that it will not be an instrument of "power game" on behalf of the US in the region.

### Ramification on South Asia

The visit, according to many South Asian strategists, will have an impact on South Asia's security. Threat to security in South Asia is not confined only to SAARC countries because China casts a shadow on it. Its common knowledge that India defines its defence strategy in the light of China's military strength and Pakistan assesses its security concerns against India's position. This triangular security perception has been one of the main impediments of having a common security doctrine for South Asia.

The Indo-Sino deal on defence cooperation may have a positive effect in the sense that some states within South Asia may not draw China in maintaining security in South Asia. Furthermore there will be less chance of playing China against India by some states in South Asia.

The visit may not be seen by Pakistan as comfortable, whatever the public declaration about the purpose of the visit. Pakistan could not get a nuclear deal from the US as India did and secondly Sino-Indo defence cooperation may ring alarm bells in Pakistan

that if the two Asian giants cooperate, Pakistan's strategic position and importance will dwindle in the region.

India and Pakistan were yoked together like unreconciled Siamese twins. Parity was extended to create a perception (some call it a myth) that if India's neighbour Pakistan was not equal in military power, security in South Asia will not remain stable.

The reality is Pakistan's GDP is one-eighth of India's, it has one-seventh the population and one-fifth of the area. Pakistan's armed forces are much smaller than India's (India's nearly 1.3 million as against Pakistan's 620,000). Lately Pakistan seems to have perceived the reality that it cannot achieve parity with India in all respects.

### Conclusion

The fashionable argument is that the logic of geopolitics and security has lost its potency because China, India and Pakistan are nuclear power states with missile capabilities. War is not seen as a possibility anymore.

Many argue that the visit may usher in an era to develop the world's biggest market and could provide all SAARC nations with strategic and economic support. The rapport between China and India is likely to work to the advantage of all South Asian countries, if sound and pragmatic policies are adopted.

It seems that Mukherjee's visit to China confirms the doctrine of Sir Winston Churchill who said: "To jaw-jaw is always better than war-war."

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# The budget, poverty alleviation and missing links

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THE budget proposals of 2006-2007 FY placed before the Parliament on 8th June, 2006 was the 36th budget of the country. Finance Minister M Saifur Rahman was fortunate to place the national budget for the twelfth time. This time the budget proposal was as usual without any significant policy dimension or major shift in the fiscal policy or proposing anything highly controversial or confusing from economic point of view.

This year is the first year of the implementation of the National Poverty Reduction Strategy. The government has finalised the full blown poverty reduction strategy titled "National Strategy for Accelerated Poverty Reduction -- Unlocking the Potential". In fact, this is the national document on which all development initiatives and priorities should be based, designed and targets to be achieved.

The total size of the budget, development and non-development together as proposed will be Tk 69,740 crore which is ever highest in the country. It has also been estimated that the GDP growth will be 6.71 per cent and per capita income of the population will be US\$482 which are optimistic, at the same time encouraging. The budget

In fact, poverty reduction shall remain as top priority strategy in Bangladesh for coming years. The budget proposal and the project initiatives should be significant and meaningful to address the problem of poverty in letter and spirit. The trading in the name of poverty alleviation would stop provided strategic approaches taken are people oriented and transparent involving the stakeholders at large.

proposal contains 56.3 per cent of the total allocation for initiatives and approaches directly and indirectly related with poverty reduction. This is also a sizeable allocation provided it reaches to the poor.

The frequently asked question is whether this budget could be termed as consistent with the pro-poor strategy designed to achieve the visions of Millennium Development Goals. Whether inflation rate of more than 7.4 per cent as observed will affect the life-style of the rural population. The question was also raised whether the fiscal measures suggested to reduce the prices of essential items would be meaningful ones when no specific proposals were suggested to control the cartel of hoarders and unscrupulous traders.

A few measures, of course, might have positive impact on rural economy and poverty alleviation like Tk.1200 crore subsidy to agriculture and proposed withdrawal of Infrastructure Development Surcharge. The budget of the Ministry of Agriculture has been increased

by 42 per cent to provide significant support to the farmers. The withdrawal of duties and taxes on capital machinery, accessories and agro-inputs will obviously help rural non-crop sector to poverty alleviation by creating waged employment in rural areas. The benefit of subsidy of 25 per cent on the import of fertiliser as announced in the budget of 2005-2006 could not reach to the farmers at all. On the other hand, crisis of fertilizer continued with the inadequate supply of low quality fertilizer generating much discontent among the farmers. Almost similar situation was observed in the case of Agro-based Industries Assistance Programme. The budget proposal for raising the allocation of Tk.150 crore would definitely benefit the Small and Medium Enterprises provided the system for the same is made transparent and accountable.

The social safety net proposals as experienced helped the rural population tremendously in the past. The proposal made in this budget for widening the social safety nets to meet the requirements of the hapless and under-

privileged populace will obviously help the poverty alleviation programme. Enhancing the rate of "Senior Citizens Allowance" to Tk 200 and raising the number of beneficiary to 16 lakh and also the allowance for destitute, widowed women to Tk 200 and increasing the number of beneficiaries to 6,50,000 are commendable initiatives. The "Seasonal Unemployment Reduction Fund", created in 2005-2006 under non development budget to mitigate the miseries of unemployment of poor and distressed populace in Monga areas of North Bengal was found to be a positive step to address the hunger and acute poverty at particular season. The allocation under this head, although raised to Tk 55 crore does not appear to be sufficient to address the situation as experienced in the past. Equally the Fund for Housing of Homeless to help ease housing problem of homeless rural families is inadequate to address the problem.

The unfortunate missing links for poverty alleviation are inadequate provisions or no specific

proposal for a few categories of poor like, 1] Landless poor, 2] Marginal farmers' and non-crop farmers, 3] Indigenous population, 4] Population in hard to reach areas.

The number of landless poor is increasing with the growth of population. The continuous soil erosion, grabbing of land by local influential and politicians, neglect by land official of the poor in the lease of Khas lands etc are major reasons of landlessness. In addition, private sector big farming initiatives eventually grabbed the very small properties of the poor alluring them with higher prices. There is no proposal to implement the declared policy of the government to provide the Khas land to the poor. Practically, major portion of the Khas land under government account, is under the occupation of local leaders and musclemen. There is even no visible initiative for distribution of newly emerging Char land to the poor.

The budget is absolutely silent on this issue. The percentage of landless poor was 15 per cent at the time of liberation of Bangladesh. It has now reached

to more than 30 per cent as estimated conservatively. Unless this problem of landless poor is addressed adequately, the success of the poverty alleviation strategy will remain a far cry.

The budget is also almost silent about the grabbing of properties of indigenous population and their involvement with the mainstream of economic activities of the country. There is also inadequate proposal for marginal farmer and their employment with the non-farm activities in off season. The population of hard to reach areas remain absent in the budget except to address them during disaster and natural calamities with relief and by opening gruel kitchen.

DFID has initiated Char Livelihood Project to address the question of economic wellbeing in char areas. Government might also initiate a modest beginning to address the poverty of population living in hard to reach areas.

In fact, poverty reduction shall remain as top priority strategy in Bangladesh for coming years. The budget proposal and the project initiatives should be significant and meaningful to address the problem of poverty in letter and spirit. The trading in the name of poverty alleviation would stop provided strategic approaches taken are people oriented and transparent involving the stakeholders at large.

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# On the way to populism



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ANNOUNCED in the National Assembly a few hours after it was deliberately leaked to the media, the thrust of Federal Budget points to a turn to populism. Not going the whole hog points to General Elections not taking place immediately but possibly later in late 2007, i.e. unless something drastic forces an early 2007 date. Predictably government ministers and officials, as well as those who support the government and/or have reason to do so, swarmed the electronic and print media to sing the Budget's praises. Predictably the Opposition opposed it for the sake of opposing, in a singular feat of negative reaction not one soul in the opposition saw even one iota of good in the entire Budget document. Where has

## AS I SEE IT

Make no mistake, this Budget is certainly a good one, far better than each one previous to it. It is at least a move in the direction of the common man, if not abandoning the concept of "trickle down" economics altogether. But to really ameliorate the condition of our poor down-trodden masses the Budget needs to be far more people-centric than it presently is.

objectivity gone?

The Federal Budget 2007 was better than the last Federal Budget, and since 2006 was better than the one before that, improving the lot of the common man seems to be on the agenda. It is always hard to meet expectations with the revenues available, Shaikat Aziz and his team have done a commendable balancing act under the circumstances. More could have been done for the industry in the same manner as the relief and incentives for farmers; statistics indicate they badly need such support. The government could have been more sensitive to the plight of pensioners. One must commend the brilliance (and sense of humour) of the person who mandated 15 percent increase for all pensioners with a promise of 20 percent for those who retired before 1977. If anybody retired in 1977 at the age of 60, it would

make him 89 or 90 now. The government will have its work cut out finding the handful who will avail themselves of this generosity.

The reduction of fuel prices will be the definite smoke signal that general elections are due within 6-9 months. The government will go the full road to populism before that, removing all taxes and profits from fuel and electricity, subsidising these across the board. They have the fiscal space to do so. There is no "rocket science" behind the fact that reducing energy prices reduces prices down the line. Subsidies should be front-loaded instead at the tail-end as in the case of "pulses". Mind you, doing so is good and gives some relief to the common man, and more power to the government for forcing the prices of "dal" down. Similarly if the govt had subsidised energy prices, the cost of production and transportation

would go down, reducing prices all along the chain down to the tail-end, including "dal". The masses have a notoriously short memory and the benefits must remain in the fresh mind of the masses to be of benefit for those who "grant" them this benevolence. As callous as it may sound the reduction of fuel prices is a populist weapon that will be used only when it is needed and only a short time before the elections. The man in the street votes with his pocketbook, put a strain on it and he will start searching for alternatives.

A lot of emphasis is placed on the booming Stock Market as a living symbol of the growing prosperity of the country. While some factors inspiring the boom are commendable, the fluctuations in the share prices have no real relevance to the market indicators that should govern their movement. The ongoing

SECP enquiry recognises that the recent dive in prices is blatant manipulation, the problem is that vested interest always stops any enquiry from narrowing down the manipulators. One leading luminary among our stockbrokers maintains that the Karachi Stock Exchange (KSE) is not a "gambling den" as perceived by most in the intelligentsia as well as the masses, no explanation why the KSE went up after the Nishtar Park blast when it should have gone down. All share prices are inherently a gamble, the institutionalised processes as well as checks and balances of the monitoring agencies in most countries have made it a "calculated risk". The risk is based on a number of market variables, mainly the company's own performance. Market indicators do play some role in Pakistan but far from the extent they should.

What is an insult to one's intel-

ligence is the logical manner criminal transgressions are explained away. To add to the insult, the callous way a holier-than-thou leading stockbroker tried to justify taxes on petroleum products added injury to that insult, reducing the quantity of the already sparse food on the man's table. Agreeing with the taxes on petroleum products, our "loyal" stockbroker vehemently opposed the proposed levying of minuscule Capital Value Tax (CVT) on share transactions. It is small satisfaction that the Senate has in fact enhanced these in their recommendations on the Finance Bill to the National Assembly.

The SECP is investigating the recent inordinate fall in share prices, the share index fell 2500 percentage points and market capitalisation came down from Rs 3500 billion to about Rs 2750 billion in 35 trading sessions between April 17 and June 8. Three earlier investigators came to nothing. Will the SECP succeed this time? Two previous Chairmen, Khalid Mirza and Tariq Hassan, had done Pakistan and themselves proud by being above board and populating the SECP with capable and honest functionaries dedicated to eliminating wrongdoing. Is Razi-ur-Rehman, a banker of some repute

who opted to later join our gang of stockbrokers, upto this sort of commitment? Or will he protect his former club members? That is a US\$ 64000 question of conscience that Razi will have to wrestle with. The SECP may penalise some small errant stockbrokers, will Razi's conscience allow him to go after the fatcats?

While officially inflation is under 10 percent, that is not the public perception; it is public perception that will hold the governing accountable. Some prices have registered inordinate rise, eg sugar from Rs 25 per kg to Rs 40, prices of essentials such as meat, vegetables, etc and house rent, fuel, electricity, transportation, etc have also kept rising and rising, if not on the same scale, over the past several years. International price rises have certainly contributed to the double-digit inflation, the public will still hold the government responsible. The government itself is on a fail-safe line between working for faster economic growth and providing relief to the masses. Shaikat Aziz is more than capable, executives do not rise to the hierarchy of Citibank on the strength of their blue eyes or Prince Walid's blessings alone, he inherently has the capacity to deliver for Pakistan as Prime Minister even though he is a

technocrat PM in the run-up to a political showdown. Unfortunately he is faced with Hobson's choice, that between satisfying the fatcats with inordinate influence in the money markets of Pakistan and the poor masses who do not have similar influence but most depend upon him as Prime Minister of the country for salvation from the misery and privation they must presently endure.

We know what a political PM would have done, he would have spread largesse to all and sundry, particularly the poor and the hapless. Shaikat Aziz can only satisfy the destiny his boss, General Pervez Musharraf, has entrusted him with by opting to take the side of the poor of Pakistan and not try and please everyone and his uncle at their cost. Make no mistake, this Budget is certainly a good one, far better than each one previous to it. It is at least a move in the direction of the common man, if not abandoning the concept of "trickle down" economics altogether. But to really ameliorate the condition of our poor down-trodden masses the Budget needs to be far more people-centric than it presently is.

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