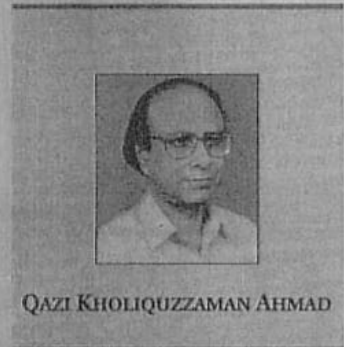


Moving beyond the logjam



QAZI KHOLIQUZZAMAN AHMAD

GIVEN the way the Election Commission is behaving and the police atrocities being meted out to protesting people demanding electoral and governance reforms or access to legitimate services such as electricity as well as journalists, the main question that I address in this article is where this society of ours is heading to or is being pushed towards?

Let me first address the issue of the voter list. The Chief Election Commissioner (CEC), who is still a justice of the Supreme Court, failed to show due respect for the direction given by the High Court for updating the voter list on the basis

BEHIND THE FACADE

Negotiations on electoral and caretaker government reforms between the power-that-be and the political opposition can still lead to the creation of an environment which will be conducive for free and fair elections. In view of the logjam that has stopped the negotiations from being initiated, the process may be begun by the General Secretaries of BNP and Awami League representing their respective groupings without further loss of time. It is time for statesmanship and not for seeking to protect narrow party or alliance interests.

of the existing list. He went ahead ignoring the High Court order and prepared a new voter list, which is now known to have been largely cooked up. Following the upholding of the High Court's judgment by the Appellate Division of the Supreme Court, he has now decided to update the voter list but that households will not be visited by the representatives of the Commission. Instead, the people have been asked to contact election offices in order to ensure that their names are included. What an innovation! This course of action will not be acceptable to the opposition parties as has been indicated by them, and, I am sure, also to

people in general, except perhaps those who have a vested interest in keeping a voter list which is full of ghost voters and with large numbers of actual voters excluded.

Does the CEC not realise that he is fanning the existing volatile situation, which will lead to the electoral process being disrupted, plunging the country into chaos and constitutional crisis? Indeed, he is not alone but the other two Election Commissioners are also with him in this game. Due to public outcry the decision to use the discarded 'new voter' list as the main source of information has now been cancelled. But, the image of the CEC and other

Commissioners has been further tarnished as a result of such a decision having been taken at the first instance. It seems that the future of democracy in the country is being held hostage by these three persons.

I have known the CEC for decades; in fact, for half a century less a few years. I knew him as a reasonable person and his record in the Supreme Court in both the High Court and Appellate Divisions, I understand, has been very respectable. It remains an enigma, therefore, why he is behaving the way he is. Is it the case that he is out of touch or is he himself hostage to certain forces that he is

unable to defy in conducting the business of his office and act independently? In either case, as a justice of the Supreme Court of the land, it is the most honourable thing for him, I would have thought, to quit as soon as possible. As a result of his activities so far, he has lost confidence of the people as a fair and impartial person to hold the all important forthcoming parliamentary elections. The same goes for the other two Elections Commissioners.

The positions of the CEC and the Election Commissioners are constitutional, but that does not give them the right to hold the whole nation hostage. In fact, if they are to be worthy of the exalted positions, they should have the highest possible commitment to 'people's causes and must work and be seen to work with the highest degree of discretion, fairness and morality. I hope the CEC and his colleagues will each take a deep breath, search their own souls, consider the imperatives of ethics and morality, and review the negative sentiments widely expressed about them. If they conduct this exercise sincerely, I don't think they themselves can avoid the conclusion

that the best thing for them to do is to release the nation from their stranglehold by vacating their positions without any further loss of time. In that event, they should be replaced by people who will uphold the dignity of their high office and will be absolutely fair in the conduct of all of their responsibilities including the preparation of the voter list and the holding of the forthcoming parliamentary elections and declaration of the results thereof.

The second issue that I would like to comment on is police atrocities. Let me first recall two well-known recent mindless police operations to put the issue in perspective. In Kansat, people's protests were sought to be controlled by violent police action and in the process there were 20 deaths caused by police firing. Afterwards all the demands of the Kansat people were accepted by the government. Obviously, therefore, their demands were legitimate and the police action ill-conceived and uncalled for. Why the lives of 20 people had to be brutally cut short? The unprovoked inhuman beating up of journalists in Chittagong Stadium, while the Bangladesh-

Australia second cricket test match was going on, can only be described as heinous. Here again, the demands of the journalists were accepted after the police action, which clearly indicates that the police action was an episode reflecting a degenerating administration.

The trend continues and sharpens. During Dhaka siege programme (11 June) and the two-day hartal (13 and 14 June) called by the Awami League-led 14-party opposition combine, too many and severe excesses have been committed by the police personnel. In fact, the beating up and injuring the respected Sector Commander of our War of Liberation General Shafiqullah is indeed a shame for the whole nation. Other leaders including former ministers as well as other protesters and journalists have also been mercilessly beaten up. It is possible that some police personnel have taken things in their own hands and have done things which could have been avoided. Others may have acted with overenthusiasm. But, guidelines have surely been provided to the police by the government in each of the above cases, mandating

them to be tough in dealing with the protesting people. This process is accentuating the volatility of the situation, which is a sure recipe for increasing political confrontations and violence leading to further upheavals and tribulations.

I feel strongly that negotiations on electoral and caretaker government reforms between the power-that-be and the political opposition can still lead to the creation of an environment which will be conducive for free and fair elections. I have earlier suggested that I would like to repeat here that, in view of the logjam that has stopped the negotiations from being initiated, the process may be begun by the General Secretaries of BNP and Awami League representing their respective groupings without further loss of time. Obviously, they will consult their colleagues and leaders and carry out negotiations as mandated. It is time for statesmanship and not for seeking to protect narrow party or alliance interests. Obviously, the main responsibility of showing the way forward lies with the main party in power.

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Global terrorism and its remedies

The USA is concerned about terrorism directed against it. A clarification is required as to why too many people in Asia and Africa, particularly among Muslims, are agitated against the Americans? Before concentrating on the remedy of global terrorism every nation should evaluate the part they have played in creating and causing this phenomenon. Only after we have addressed these issues and have bridged the communication and awareness gaps, will our efforts in countering global terrorism have a better chance.

DR. OLI AHMAD, BIR BIKRAM, MP

TERRORISM is not a new phenomenon, but it has taken a central, if not the pre-eminent, role at the global level as one of the main threats to international peace and security in the world today. Apart from the dramatic and traumatic events that saw the end of the Cold War, no other event has had such a profound impact globally as the terrorist attacks in New York and Washington, D.C. on 11 September 2001. With the involvement of the American and coalition forces against Al Qaeda in Afghanistan, South Asia emerged as the epicenter of the war against terrorism immediately afterwards. Bangladesh, where I'm from, is strategically situated in South Asia. It's a country, which is small in size, but large in population, coupled with economic deprivations and backwardness in education, it's also unsurprisingly vulnerable to terrorism, in more ways than one. In the last two-three years, a few militant organizations surfaced, committed violence and were eventually subdued. These militant organizations had educational, motivational and partly organizational support from Muslims outside of Bangladesh. They had inspirational support from the success, which Maoist guerillas have gained in neighboring countries.

For the sake of easy discussion, one must acknowledge the difficulty of defining terrorism in a manner or in a language accept-

able to all. I will not insist on arriving at a definition right now, instead, I will randomly quote a few dates / events from a Historical Dictionary of Terrorism to demonstrate the difficulty in defining 'terrorism'.

a) A.D. 66-70. Jewish nationalist zealot (Sicari) movement creates mass insurrection in Roman province of Judea, leading to Roman destruction of Jerusalem and Second Temple and mass suicide of zealots besieged at Masada fortress.

b) A.D. 1090-1256. The Isma'ili Fedayeen cult of 'assassins' conducts a terror campaign against the religious and political establishment of the Abbasid Islamic Empire until the Mongol invaders exterminated the cult.

c) A.D. 1793 (May). French revolutionary Committee of Public Safety undertakes purge of real and suspected enemies of the revolution, leading to 300,000 arbitrary arrests and 17,000 executions.

d) A.D. 1886 (May 4). In Hay market Square, Chicago, while 180 police confronted 1,300 workers protesting for an eight-hour workday, a bomb exploded, killing eight and wounding many others. Police opened fire on the protestors triggering a riot in which at least seven were killed and about a hundred others injured.

e) A.D. 1901 (September-1902 March). An American, Ellen M. Stone, is kidnapped by the Inner Macedonian Revolutionary Organization and held for ransom of \$ 66,000. After the U.S. government refused to pay this ransom, Stone's sponsoring organization

raised and paid the required sum.

f) A.D. 1910 (October 1). During labor strike the office building of the anti-Union Los Angeles Times was dynamited and erupted into flames due to severed gas mains. At least 20 were disabled due to the explosion and resulting fire.

g) A.D. 1939 (January-1940 February). Irish Republican Army carries out first major bombing campaign within England proper with over 50 bombings of public places within a 13-month period.

h) A.D. 1954 (March 1). Four Puerto Rican nationalists open fire on House of Representatives from visitor's gallery, wounding five representatives. All four captured by security guards.

i) A.D. 1968 (August 28). Guatemalan Rebel Armed Forces gunmen assassinate U.S. Ambassador John Gordon Main in Guatemala City, the first assassination of a U.S. ambassador in the line of duty.

j) A.D. 1970 (September 6-9). PFLP terrorists hijack five commercial airliners to Dawson's Field, outside Amman, Jordan, and hold 400 hostages. Three-week crisis provokes Jordanian government to expel Palestinian guerrilla groups in an armed confrontation, an event recalled by Palestinians as 'Black September'.

k) A.D. 1970 (October 5). Quebec Liberation Front (FLQ) terrorists kidnap James Cross, British trade commissioner to Quebec.

l) A.D. 1976 (September 10). Six Croatian nationalists hijack a TWA 727 New York-to-Chicago

flight, ultimately to Paris. The hijackers demand publication of a manifesto for the release of the passengers.

m) A.D. 1978 (May 25). 'Unabomber' Theodore J. Kaczynski begins a 17-year mail bombing campaign directed at academics and businessmen resulting in 3 deaths and 23 maiming until his arrest on 3 April 1996 following his final bombing on 24 April 1995.

n) A.D. 1996 (December 17). Tupac Amaru Revolutionary Movement terrorists seize Japanese ambassador's residence in Lima, Peru, during diplomatic reception taking 500 hostages. By New Year's Day only 81 hostages remained, the others having been released. Peruvian police stormed the compound on 22 April 1997 freeing hostages and killing all of the terrorists.

o) A.D. 2000 (January 21). Basque Fatherland and Liberty (ETA) made two car bombings in Madrid, killing an army officer and wounding bystanders, so ending a cease-fire ETA had declared on 16 September 1998.

p) A.D. 2001 (September 11). Suicide bombers hijacked four American domestic flights, crashing one into World Trade Center north tower and another into the south tower, and another into the east side of the Pentagon. The fourth flight crashed following apparent struggle between hijackers and passengers. At least 4,304 were killed at the World Trade Center and 125 killed at the Pentagon. Altogether all 19 hijackers along with 238 passengers also perished in this attack.

What Winston Churchill once said about Communism in the erstwhile Soviet Union could also be applied to terrorism today. Despite the fact that terrorism is the most written about subject in the world in recent days, it is still an 'enigma' wrapped in a mystery'. Whereas Communism could be examined on the basis of clearly spelled out dogmas, the nature of terrorism varies from issue to issue and from country to country. The only common ingredients of terrorism

are the organized use of violence for political ends that is primarily directed at non-combatants. The prescriptions for dealing with terrorism also differ according to ones own outlook, where the gap in our understanding of terrorism between what we don't know far outweighs what we actually do know to be sound and workable methods.

Terrorism is conducted by individuals as well as by groups. It is alleged that certain states also sponsor or patronize terrorism to be conducted against other states. Whatever may be the cause, terrorism is unwelcome and unacceptable, but it is a part of the global scenario now. Some scholars remind us not to confuse motivation of terrorism with methods, or the present tendency to ascribe all forms of anti-state violence as terrorism. They see the current war on international terrorism as part of a US policy that seeks to reaffirm not a 'new world order', as was the practice in the late 1980s and 1990s, but to create a 'different world order' that the US would like to see in the future.

Some argue that there is now a parochial vision of terrorism due to the absence of a clear-cut definition. According to these scholars terrorism is not an ideology, but a strategy that is used either when normal means no longer produce results, or when it provides a short cut for the attainment of stated goals. The best way to assess its impact is to 'measure the intensity of influence on targets or the absorption of influence by the targets', while the most dangerous manifestation of this is when states use terrorism to 'promote hidden agendas'. They say that, interstate terrorism shows multiple effects. They tend to lead to rapid deterioration in relations among states in which the whole region can be affected.

Contrary to the above two groups, others view terrorism as part of the subaltern structure in which South Asian countries are connected to each other across national borders by 'shadowy activities' ranging from smuggling

of goods and people, illicit production and trading of small arms, money laundering, narcotics production and trading to terrorism. These activities are sustained by informal financial networks, known as hawala or hundi in the region, which are difficult to weed out since the bulk of the money laundering is done on the basis of trust and/or through family connections. Even the flow of small arms in the region could not be possible without the extensive subaltern network. These scholars suggest that contemporary terrorist groups are, therefore, no longer 'national' or 'statist', but have become transnational in character. The current tendency of states in South Asia to viffly all forms of terrorism as state-sponsored or state-supported, misses the point altogether.

Many South Asian scholars recommend the development of a cooperative framework for dealing with terrorism, among the countries of South Asia. In this context, there is more than one pattern of suggestions or methods. One group of scholars rely on the conflict transformation model, and recommend that new threats to global security require a global cooperative framework which will monitor, manage, and establish new standards governing interstate relations.

Another group of intellectuals believe that the war against international terrorism must be tackled at two different levels: first, through a holistic approach to counter it by 'addressing the allied threats to international security', and second, by devising means to secure cooperation among states at all levels--international, regional, and national. The underlying assumption in their deliberations is that the new type of threat posed by terrorism is beyond the capacity of states to deal with on their own, which makes it imperative to have the UN as the preferred instrument for waging the war against terrorism. They maintain that this is also why the US policy 'is unlikely to succeed in countering the hydra-headed menace of

terrorism', since combating terrorism requires not only a military approach, but also a concerted, cooperative, international effort for its eradication.

The third group takes an organizational approach in their deliberations and call for the creation of a new organization, which they suggest can be named 'Security Organization for South Asia (SOSA)', for building trust and confidence that is essential for accelerating regional integration and stability. They suggest that South Asia needs to learn lessons from the Organization for Security and Cooperation in Europe (OSCE), which provides for cooperation on broad areas with a long-term vision for the future.

In so far as the rise religious terrorists in Bangladesh are concerned JMB or JMIB were able to grow out of various factors and developments in South Asia as well as in its close neighbourhood, like in Afghanistan and the Indian Northeast. In part these groups were an anti-thesis of Maoist splinter groups operating all over western Bangladesh, in part these groups were independently seeking a change in the style of governance and administration of the country without at all knowing the limits of their knowledge or ability. Their direct links with any major terrorist groups outside Bangladesh is yet to be established.

It was a challenge, which needed to be faced by the government and the people together in unison. The government, though belated, took a number of important steps; one of them was to use the well-known Islamic leadership of the country to spell out the provisions of Islamic teachings against violence, militancy and killings (particularly suicide bombings). It was a deliberate step to demotivate the activists of the militant organizations and it was very successfully done. The print and electronic media of the country played the vital role of building up awareness among the people of the country. On their part, the people of the country rose to the occasion and vehemently opposed militant

activities. Within six months the top leaders of the militant organizations were apprehended. Three old lessons were re-learned. First lesson is that timely political commitment of the government is a must; the second lesson is that honest information by credible persons help to correct motivation. The last but not the least is that awareness of the people is a must to achieve any operational success.

Before concluding, a few words on countering global terrorism from a US perspective will be in order. Since the USA has been circumstantially forced to take the leadership of the war on terror, our thoughts will center on thoughts of the US people. In America, the National Commission on Terrorism was established by section 591 of the Foreign Operations, Export Financing, and Related Programs Appropriation Act 1999. The Congress gave the Commission six months to review the laws, regulations, directives, policies and practices for preventing and punishing international terrorism directed against the USA, assess their effectiveness, and recommend changes. Very few individuals who are of non-American origin have been interviewed. The Commission met with officials of the governments of Canada, France, Israel, Jordan, Poland and the UK; a few more African and Asian countries should have been included. The USA is concerned about terrorism directed against it. A clarification is required as to why too many people in Asia and Africa, particularly among Muslims, are agitated against the Americans? Before concentrating on the remedy of global terrorism every nation should evaluate the part they have played in creating and causing this phenomenon. Only after we have addressed these issues and have bridged the communication and awareness gaps, will our efforts in countering global terrorism have a better chance.

The author is an MP and former minister. The piece is based on a paper presented by him at a seminar in New York recently.

Monetary policy and investment

In Bangladesh, it appears that the major constraint on foreign investment is politics-driven uncertainties that cannot be removed unless the politicians are forced to operate under some strict 'political rules'. Therefore, under the present circumstances, capital account liberalisation is unlikely to bring economic dividends but can only make the economy more vulnerable to 'politics-driven' financial crisis.

AKHTAR HOSSAIN

I have read the article by Mr Ashraf Ali Faruk on 'Liberalisation of Monetary Policy' (The Daily Star, 13 June) with some interest. In this article he has raised some important monetary and exchange rate policy issues in an open economy context. However, I found the article somewhat difficult to follow, as the author did not clearly define the issues. I have a feeling that most readers would also find it difficult to comprehend some concepts used in the article, such as 'liberalisation of monetary policy', 'flexible monetary policy' and 'currency management liberalisation'. These concepts are not commonly used in the literature (popular or academic). Therefore, unless defined at the outset in a proper context, they may create ambiguities and lead to misleading conclusions. Below, I make some comments, not necessarily as a critique but to highlight some issues raised in the article.

Mr Faruk has reviewed some broad issues in trade reforms and financial liberalisation in developing countries, including Bangladesh. As he has indicated, there is vast literature on these

topics, including many empirical studies for Bangladesh. In a general sense, financial liberalisation encompasses the deregulation of interest rates, the floatation of the exchange rates, the privatisation of banks and other financial institutions, and the liberalisation of capital accounts in the balance of payments. It is not only the IMF and the World Bank but also most economists who argue for financial liberalisation in developing countries. The main aim of financial deregulation and reforms is to create an efficient financial system that raises economic efficiency and promotes economic growth. Although empirical evidence on this proposition is mixed, the alternative could be a repressed financial system that has been found extremely inefficient in most developing countries, including Bangladesh. There is plenty of evidence that financial repression creates a shallow financial system and retards economic growth. The financial system in Bangladesh that existed in the 1970s and early 1980s was shallow, inefficient and ridden with corruption. Over the past decade or so the financial system has developed significantly partly due to financial deregulation and reforms and is now playing an

increasingly important role in the private-sector led growing economy.

On the trade front, most economists also argue that trade reforms are good for developing countries, as they raise efficiency and economic growth and lower the likelihood of a balance-of-payments crisis, especially under a flexible exchange rate system. There is, however, little doubt that trade reforms may adversely affect domestic industries, which are often protected under tariff-and non-tariff barriers, and raise the level of unemployment. Available evidence suggests that such problems are temporary but not insignificant. Trade reforms ultimately create a more efficient manufacturing sector, as well as a trade regime that can better absorb both domestic and external shocks, especially under a floating exchange rate system.

Although the debate on both trade and financial reforms has subsided, the issue remains as to whether a floating exchange rate system is appropriate for a developing country like Bangladesh. There is no easy answer to this because the appropriate exchange rate system ultimately depends on a host of characteristic features of

the economy concerned, such as the size of the economy, the level of development, the nature of domestic and external shocks, the degree of capital mobility, the depth of money and capital markets, and the integration of the economy with the rest of the world. Nevertheless, as the Bangladesh experience suggests, a floatation of the exchange rate does not necessarily lead to extreme exchange rate volatility even when the country's money and capital markets remain underdeveloped. Apparently, for Bangladesh, the relative stability of the exchange rate (or the smooth depreciation of the currency) was due to controls over capital outflows. Another major reason for it was the continuation of relatively disciplined monetary and fiscal policies under the Poverty Reduction and Growth Facility Programme of the IMF. Furthermore, substantial inflows of foreign capital in the forms of aid, loans and remittances allowed the country to accumulate and maintain a respectable level of foreign exchange reserves.

Although I am not sure what Mr Faruk means by 'currency management liberalisation', it is presumably linked to the conduct of monetary policy for price stability in a deregulated financial environment. It is widely accepted that the conduct of independent monetary policy under a flexible exchange rate system remains at the discretion of a central bank. The government generally does not interfere in the conduct of monetary policy if there is an agreement between the government and the central bank that the central bank should

undertake the delegated responsibility to maintain price stability (meaning low and stable inflation). Having gained such autonomy, the central bank can use whatever indirect monetary policy instruments at its disposal for monetary management within a pre-specified monetary policy framework. In the same spirit, the Bangladesh Bank has lately adopted monetary targeting as a strategy of monetary policy to control inflation. Therefore, there is nothing wrong in the monetary authorities' use of policy instruments to control any monetary aggregates or interest rates. In fact this is the key function of a central bank under a deregulated financial environment where inflation becomes the policy variable that underwrites the interest rates and exchange rates and therefore any lack of central bank's control over inflation, and for that matter, unsustainable monetary and fiscal policies, may lead to financial crisis.

This is the reason why the IMF and the World Bank suggest that a developing country like Bangladesh should conduct its monetary and fiscal policies in a disciplined manner (arguably better under well-defined monetary and fiscal rules) so that they do not create macroeconomic imbalances, meaning high inflation and unsustainable current account imbalances. It is believed that in the absence of structural or policy-induced economic uncertainties, real economic forces would induce higher saving, investment (including foreign investment) and economic growth. As in a non-

inflationary economy there is limited scope or need for speculative or inflation-hedging activities, it may create an environment for technological adaptation and innovations that would raise productivity and promote long-term economic growth. Any external sector imbalance (such as current account deficit) in such an environment would primarily represent a gap between private saving and investment and this would be financed through autonomous capital inflows.

Although the IMF used to argue for capital account liberalisation, it has accepted since the Asian currency crisis, that any premature liberalisation of capital accounts in developing countries may lead to currency crisis, especially under a pegged exchange rate system and when the domestic financial system remains weak and therefore cannot process large-scale inflows of foreign capital efficiently. This does not mean that there are no potential benefits from capital account liberalisation. While Indonesia made significant economic progress until the currency crisis under open capital accounts, other countries such as China and India have maintained control over capital accounts and still their economies have grown rapidly during the past decade or so. In the past, Japan and South Korea also had closed capital accounts and particularly discouraged foreign investment. For Bangladesh, there are valid arguments for and against capital account liberalisation. Capital account liberalisation can encourage foreign investment (portfolio and direct), which in

turn may act as an external constraint on domestic monetary and fiscal policies. After all, under a floating exchange rate system, any monetary and fiscal policies that appear unsustainable to investors (domestic or foreign) may trigger capital flight and create such a panic that no political authorities can afford to ignore.

Still there are unresolved issues in the sequencing of capital account liberalisation and the factors that trigger capital flight or currency crisis in developing countries. It is the fixed or pegged exchange rate system that remains vulnerable to currency crisis, although there is always 'fear of floating' because it may lead to excessive depreciation of the currency. Nevertheless, it is accepted that a mere floatation of the exchange rate, or even a liberalised capital account, does not necessarily lead to a large-scale depreciation of the currency. Whether a domestic currency will depreciate or appreciate under a floating exchange rate system depends on the country's underlying inflation relative to that of its trading partners. Under a floating exchange rate system, inflation is a policy variable that depends on the growth of the money supply relative to the growth of the economy. Therefore, it is not clear why a floating exchange rate system per se, and for that matter, an open capital account, would 'ruin investment and increase import; and subsequently, balance of payment may collapse'. This could be a perception but the macroeconomic outcomes under both a floating exchange rate system and

open capital accounts vary from country to country and from time to time.

Therefore, no economist or organisation can prescribe a policy package (given imperfect information and knowledge and inherent uncertainties) that does not have some known or unknown consequences of one form or another. There are non-economic factors that may determine the effectiveness of economic policies. In Indonesia, rightly or wrongly, corruption was considered a factor that aggravated the currency crisis although its economic fundamentals were better than those of other countries in the region. In Bangladesh, it appears that the major constraint on foreign investment is politics-driven uncertainties that cannot be removed unless the politicians are forced to operate under some strict 'political rules'. Therefore, under the present circumstances, capital account liberalisation is unlikely to bring economic dividends but can only make the economy more vulnerable to 'politics-driven' financial crisis. This is despite the fact that there are valid economic arguments for capital account liberalisation at the present stage of the country's development. Therefore, until the intractable political issues are resolved, capital account liberalisation should remain only in the policy agenda of the government for future consideration and implementation.

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