

## Making a travesty of free trade

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As the current "development round" of trade talks moves into its final stages, it is becoming increasingly clear that the goal of promoting development will not be served, and that the multilateral trade system will be undermined. Nowhere is this clearer than in a provision that is supposed to give the least developed countries almost duty-free access to developed countries' markets.

A year ago, the leaders of the world's richest countries committed

themselves to alleviating the plight of the poorest. At Doha in November 2001, they pledged to give something more valuable than money: the opportunity for poor countries to sell their goods and earn their way out of poverty. With great fanfare, developed countries seemed for a while to be making good on their promise, as Europe extended the "Everything but Arms" initiative (EBA), under which it was unilaterally to open its markets to the poorest countries of the world.

The opening was less than it seemed. The devil is in the details, as many less developed countries

discovered that EBA's complicated rules of origin, together with supply-side constraints, meant that there was little chance for poor countries to export their newly liberalized products.

But the coup de grace was delivered by the world's richest country, the United States, which once again decided to demonstrate its hypocrisy. The US ostensibly agreed to a 97% opening of its markets to the poorest countries. The developing countries were disappointed with the results of Europe's EBA initiative, and Europe has responded by committing itself to dealing with at least

part of the problem that arises from the rules of origin tests.

America's intention was, to the contrary, to seem to be opening up its markets, while doing nothing of the sort, for it appears to allow the US to select a different 3% for each country. The result is what is mockingly coming to be called the EBP initiative: developing countries will be allowed freely to export everything but what they produce. They can export jet engines, supercomputers, airplanes, computer chips of all kinds -- just not textiles, agricultural products, or processed foods, the goods they can and do produce.

Consider Bangladesh. If we go by the most widely used six-digit tariff lines, Bangladesh exported 409 tariff lines to the US in 2004, from which it earned about \$2.3 billion. But its top 12 tariff lines -- 3% of all tariff lines -- accounted for 59.7% of the total value of its exports to the US. This means that

the US could erect barriers to almost three-fifths of Bangladesh's exports. For Cambodia, the figure would be about 62%.

The situation is no better if the 3% rule applies to the tariff lines that the US imports from the rest of the world (rather than to the lines individual poor countries export to the US), for then the US can exclude roughly 300 tariff lines from duty-free and quota-free treatment. For Bangladesh, this implies that 75% of the tariff lines, accounting for more than 90% of the value of its exports to the US, could be excluded from duty-free treatment. Exclusion from duty-free treatment could reach 100% for Cambodia, which exported only 277 tariff lines to the US in 2004.

The official argument for the 3% exclusion is that it affects "sensitive products." In other words, while the US lectures developing countries on the need to face the pain of rapid adjustment to liberalization, it

refuses to do the same. (Indeed, it has already had more than 11 years to adjust to liberalization of textiles.) But the real problem is far worse because the 3% exclusion raises the specter of an odious policy of divide and conquer, as developing countries are invited to vie with each other to make sure that America does not exclude their vital products under the 3%. The whole exclusion simply undermines the multilateral trading system.

Indeed, there may be a further hidden agenda behind the 97% proposal. At the World Trade Organization's meeting in Cancun in 2003, the developing countries stood together and blocked efforts to forge a trade agreement that was almost as unfair as the previous Uruguay round, under which the poorest countries actually became worse off. It was imperative that such unity be destroyed. America's strategy of bilateral trade agree-

ments was aimed at precisely that, but it enlisted only a few countries, representing a fraction of global trade. The 97% formula holds open the possibility of extending that fragmentation into the WTO itself.

The US has already had some success in pitting the poor against each other. Preferential access for African countries, under the African Growth and Opportunity Act (AGOA) and more recent initiatives, seems to be largely a matter of trade diversion -- taking trade from some poor countries and giving it to others. For example, Bangladesh's share in US clothing markets declined from 4.6% in 2001 to 3.9% in 2004. During the same period, AGOA countries' market share in the US clothing sector increased from 1.6% to 2.6%, and it is likely to increase further when AGOA countries start to take full advantage of duty-free access.

AGOA had a sunset clause, but if the duty-free access becomes permanent for less developed countries in Africa -- as stipulated in Hong Kong -- then poor countries in Asia will continue to lose US market share. The WTO is supposed to prevent these trade-diversionary agreements, but so far no case has been successfully brought.

Even if America succeeds in dividing the developing countries, however, it may inspire a degree of unity elsewhere. Both those committed to trade liberalization within a multilateral system and those committed to helping developing countries will look at America's new strategy with abhorrence.

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## Why this hullabaloo over Islamic banking? The dearly departed Mr. Karim

It seems that Bangladesh Bank is creating unjustified trouble for the Islamic banks in the country and at the same time strongly discouraging other commercial banks to have separate Islamic, or interest-free windows that can run parallel with conventional windows. Onerous laws could not only act as hindrance for the growth of Islamic banks in Bangladesh but for the economic growth of the country as well.

ZAHID ZAMIR

The recent measures taken by Bangladesh Bank with regard to Islamic banks are indeed unprecedented and absolutely uncalled for. While it is true that ever since the inception of Islamic banking system in Bangladesh, there was no expert group in Bangladesh Bank to monitor the activities of Islamic banks in Bangladesh, Islamic banks operating in Bangladesh have formed their own Shariah council to look into whether Islamic banking as a whole is in compliance with the Islamic principles.

A central shariah council has also been formed. Although Bangladesh Bank has made a focus group, consisting of members of Shariah council and Islamic bankers, to formulate detailed guidelines for the Islamic banks on the basis of the Banking Company Act, Bangladesh Bank utterly ignored the report that has been finalised by the focus group.

There are currently six commercial banks operating under Islamic principles. They are: Islami Bank Bangladesh Limited, Al-Arafah Bank, Social Investment Bank Ltd, Exim Bank Ltd, Oriental Bank Ltd, and Shahjalal Islami Bank Ltd. apart from some other banks that also provide Islamic banking services in some of their branches.

Conventional banks in many western, as well as eastern, countries after realising the huge benefit of the Islamic banking system have opened Islamic banking windows that run parallel with interest-based windows. Very recently the Reserve Bank of India and Japan have shown their interest to offer Islamic banking system to their customers, not only for their respective countries, but also to woo customers from Muslim majority Middle Eastern countries.

Virtually all major banks around the world have opened interest-free banking windows. In fact, those conventional banks that have opened interest-free windows are

able to entice many non-Muslims in non-Muslim majority countries. The basic tenet of Islamic banking underlines its commitment to equitable and fair distribution of money resources.

There are more than 300 Islamic banks operating all over the world -- from Africa and Europe to Asia and America. The Islamic banking industry is worth more than \$200 billion and is growing at 15 percent annually, a rate much higher than that of conventional banking.

According to new proposed guidelines formulated by Bangladesh Bank, a commercial bank may form a separate company with Tk 100 crore paid up capital for providing Islamic banking services. The subsidiary company will need to off-load 49 percent of its share while the parent company may own the remaining 51 percent. As for the new Islamic banks, the proposed guidelines state that the sponsors will have to off-load 50 percent of the bank's shares and sponsor directors will not be allowed to own shares worth more than Tk 2.5 crore.

It seems that Bangladesh Bank is creating unjustified trouble for the Islamic banks in the country and at the same time strongly discouraging other commercial banks to have separate Islamic, or interest-free windows that can run parallel with conventional windows. Onerous laws could not only act as hindrance for the growth of Islamic banks in Bangladesh but for the economic growth of the country as well.

Innovation is fuelling the development of the Islamic banking sector. In fact there are limitless horizons for innovation which are not available to conventional banks due to their limited and fixed mechanisms. The modes of mudarabah, musharakah, istisna and other modes combining capital wide effort, experience and craftsmanship, open wide spheres of innovation, and are paving the way for the introduction of new finance instruments following Shariah guidelines.

resources for such a massive, coordinated attack -- and this, police believe, was a joint operation by both networks. One alleged partner is Lashkar-i-Taiba, a Kashmiri separatist group that has been outlawed since 2002 in Pakistan, the country where it began 16 years ago. The other group is the banned Students Islamic Movement of India (SIMI), a homegrown jihadist outfit that is spreading rapidly among disaffected young Muslims across much of India. Both groups are denying any involvement, but police say evidence against them is piling up.

The authorities released photos of three bearded young men in connection with the attacks. Police identified one of them as the fugitive ringleader of a dozen alleged SIMI operatives who were arrested two months ago in Aurangabad, some 220 miles east of Mumbai. In the course of that sweep, police seized dozens of AK-47 automatic rifles, crates of ammunition and more

than 100 pounds of military-grade plastic explosive. The arrests had resulted from an investigation that began earlier this year after cops apprehended a pair of suspected Lashkar operatives getting off a train in downtown Mumbai. Police say the men had two pounds of plastic explosive in their possession.

The two organizations are united by the same wild-eyed cause: a dream of bringing the entire Subcontinent back under Muslim rule for the first time since the 19th century. As followers of a harshly intolerant strain of Saudi-style Wahhabi Islam, they reject any notion of majority rule in a land where "polytheist infidel" Hindus outnumber Muslims. The Lashkar-SIMI partnership has been growing for several years, and in the past year or so Indian police believe that the two groups have collaborated on a series of attacks, including the bombing of a temple this March in Hinduism's holiest city, Varanasi,

A few years ago the central bank of Sudan, for example, successfully launched the Central Bank Musharaka Certificates (CMCs). This certificate is an equity-based instrument which is issued against Bank of Sudan (BOS) ownership in commercial banks. It is used by BOS as an indirect instrument to regulate and manage liquidity within the banking system.

In 1999 the Ministry of Finance (MOF) launched another instrument called Government Musharaka Certificates (GMCs), which are also equity-based instruments that are issued against MOF ownership in some profitable public and joint-venture enterprises in order to regulate and manage liquidity within the economy as a whole. The successes of these two instruments, and their wide market acceptability, have encouraged the Bank of Sudan to develop second generation of Islamic financial instruments.

There is a conspiracy to besmirch the reputation of interest-free institutions that have always been good citizens of the country. It is not a question of morality only but also of the protection of the interests of investors who like to see their money mobilised and invested in an Islamic way.

Terrorists have no religion. They can have accounts in any bank. But because of some ruthlessness and unscrupulous individuals entire institutions cannot suffer. As the chairman of the Jeddah based Dallah Albarakah Group and of the Bahrain based General Council for Islamic banks and Financial Institutions (GCIBFI) Saleh Kamel said: "Islamic banks are neither merely charities nor at all terror facades. Islamic banks should be operating under the supervision of central bank, receiving clients' deposits and investing them ... there is no surplus funds to finance terror, nor do they corridors for circulation of funds among terrorists."

There is an immense need for Bangladesh Bank to have a group of Islamic bankers and Shariah experts of its own who can properly monitor and formulate guidelines for all Islamic banks and Islamic banking windows in the conventional banks.

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OMAR KHASRU

MR. MA Karim died over two months ago. To be precise, he died at 10:40 pm on May 19, 2006. He died at his Dhanmondi residence, quietly and peacefully, without any last minute trauma or commotion. One moment he was breathing and the next moment he just stopped breathing. The long illness apparently had sapped his strength and he just did not have the energy to sustain the simple chore of inhaling and exhaling.

Mr. Karim had a remarkably eventful life. The Second World War generation is often dubbed as the "greatest generation" in the US. Americans fought to defeat the tyrants of the Axis power, including Hitler, in far off places. After the war, the young warriors returned to civilian life, embarked on higher education and joined the workforce. They made the US the most prosperous and the most powerful country in the history of the world.

Mr. Karim's generation was somewhat comparable in our society. They were among the first generation of educated Bangali Muslims. They struggled, strived, educated their children, and put in concerted efforts to make life better for their families, improve their surroundings, and worked for the betterment of the country. They did all this honestly, selflessly, with integrity and single-minded devotion, qualities all so very rare now.

Mr. Karim hailed from remote rural Barisal. The family was orthodox, conservative and devout. Mr. Karim was sent to a madrassah. He, however, was interested in studying English and wanted desperately to enroll in a regular school. Indian Muslims had boycotted schools as persistent protest against the injustice, oppression and unfairness of British colonial rule. This regressive, retrograde and ignorant step had set the Muslims metaphorically backward by a hundred years. Studying in British-run schools was considered to be abhorrent and sacrilegious. The religious Muslims, including the God-fearing family of Mr. Karim, would have none of it.

In the face of such adversity and hostility, Mr. Karim quit the madrassah and enrolled himself in a regular school. His religious father refused to pay for his "heretical" education. Mr. Karim waded

through shallow canals to attend school and eventually stayed at a hostel. His father was resolute and unwavering and made several trips to Pirojpur, sub-divisional headquarter, to bring his son back.

Mr. Karim had diligently and passionately immersed himself in his studies which he found challenging and scintillating. With the help of doting and caring Hindu teachers, he tried to convince his father to let him continue with his education. His father was firm on showing the son the right and the righteous, pious and sacrosanct God's way and return him to the madrassah. He went yet again to Pirojpur to fetch Mr. Karim but the school was closed to celebrate Mr. Karim's success in the secondary school scholarship exam. This was a rare and lofty achievement back then. There was no turning back after that.

Mr. Karim went to BM College in Barisal after passing the equivalent of SSC exams. There was a group of excellent, erudite teachers at BM College. Among them was Jibananda Das. Interestingly, Jibananda Das was an English teacher. Mr. Karim decided to study English at the university Honours level. He was one of only two students from the greater Barisal area to be admitted to Calcutta Presidency College. In the early 1940s, Presidency College was the most sought after institution for higher learning in India. Getting admission to this college was tantamount to getting admission to Oxford and Cambridge or the current day admission to Harvard or Berkeley.

Among his batch-mates were late Justice Abu Syed Chowdhury, Siddhartha Sanker Ray and Dilip Kumar Rai. The Second World War had started and Calcutta was in tumult and turmoil. An aerially dropped Japanese bomb at nearby Khidirpur had caused wholesale panic and widespread exodus. East Bengalees fled in droves to their ancestral homes in overcrowded trains from Howrah rail station.

Mr. Karim successfully appeared in the Civil Service exams and joined the Police Service in 1943. His two East Bangali batch-mates at the Sarda police academy were Mr. Lutfar Rahman, late father of the current State Home Minister, Lutfuzzaman Babar, and late Dr. MN Huda. Dr. Huda was uneasy with the rigours of officer training,

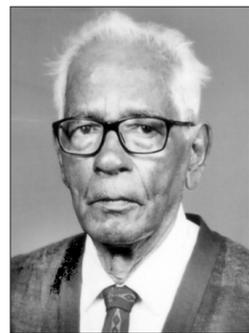
horseback riding and obstacle course. He soon quit. The other two graduated from the academy and embarked on long police careers.

Mr. Karim served in high ranking positions in the police department and eventually in Special Branch (SB) and intelligence. He was scrupulously honest and efficient with the highest degree of integrity and objectivity. Among his close circle of civilian friends were Poet Ansan Habib, Justice Ansanuddin Ahmed, Khan Mohammad Salek (legendary Laboratory School headmaster) and principal Jalaluddin Ahmed.

Contrary to the typically aggressive and combative image of the current day police officers, Mr. Karim was into art and literature and was a connoisseur of the finer things in life. He was an avid reader and 4 to 5 hours of reading was part of his regular daily routine. Dr. Mahmudul Anam, Professor of Economics at York University (Ontario, Canada), and a family friend, eulogised Mr. Karim: "He was a remarkable man from a glorious and, alas, now extinct generation. A patriarch in the noblest sense of the term his affection and generosity extended well beyond his immediate family. A fiercely independent, and intellectually self sufficient man, he lived life on his own uncompromising and principled terms and, in the process, left a priceless legacy."

Mr. Karim had seven children (a doctor daughter died in 1989). He and Mrs. Karim made sure that the four daughters received the same opportunities in higher education as the three sons. Two of the daughters have PhDs, one in chemistry and the other in literature, two children were doctors, the youngest son is the chief pediatric surgeon at the Children's (Sishu) Hospital, five of the children are teachers of a whole gamut of subjects, from literature and history to chemistry, from medicine to engineering. The emphasis on education was so comprehensive and remarkable that his grandchildren and their spouses now teach all over the world, from New Zealand to BUET, from DU to North America. The success of his children and their children was all possible because Mr. Karim, as a young boy, went against the norm, and family tradition, and dared to enroll in a British school in the 1930s.

When he was still in good health,



Mr. Karim told his children to keep his funeral a low key affair after his death. He was a simple, unassuming, modest and unobtrusive man. He did not want a big deal after his death. He had often told his family not to lament his death because he had led a full life and his wants and desires had largely been fulfilled. He had witnessed history with all the twists and turns, he had seen incredible technological development and he had a contended life. He was in generally good health, until the last illness, because he had maintained a healthy lifestyle since the 1944 Sarda police academy days.

The family looks at his death from a religious perspective and a sense of inevitability. Some have questions though, in line with the Book of Job in the Hebrew Bible. It was written 2,500 years ago during what apparently was a crisis of faith. The covenant with Abraham -- worship one God, and his people would be protected -- didn't seem to work. The good suffered and the wicked prospered; where was the promised justice? Some feel the same about the long illness and suffering of Mr. Karim.

When Mahatma Gandhi died, Nehru said in his eulogy: "The light has gone out of our lives." With the death of Mr. Karim, the light in the life of his family, and near ones, is much dimmer. The redeeming and consoling factor is Mr. Karim has now "slipped the surly bonds of Earth... put out his hand and touched the face of God (High Flight, by John Gillespie Magee, 1941)."

The author is a private university administrator and son of the deceased Mr. Karim.

## Terror on the tracks

SUDIP MAZUMDAR, ZAHID  
HUSSAIN AND RON MOREAU

THEY seem to have drawn little notice as they squeezed aboard the packed first-class carriages. Most passengers were concentrating on getting home from a long, rainy Tuesday at the office in India's financial center, Mumbai. The men placed their duffel bags and metal lunchboxes on the overhead luggage racks, and then, apparently, pushed their way off again, unnoticed -- until 6:24, when the explosions began. Within 11 minutes, bombs had ripped through seven suburb-bound commuter trains on the same rail line. The blasts left 197 passengers and crew dead or dying and nearly 800 injured in the wreckage.

Police investigators are increasingly convinced they know who was behind the Madrid-style bombings. Only two terrorist organizations in the region have the skills and

resources for such a massive, coordinated attack -- and this, police believe, was a joint operation by both networks. One alleged partner is Lashkar-i-Taiba, a Kashmiri separatist group that has been outlawed since 2002 in Pakistan, the country where it began 16 years ago. The other group is the banned Students Islamic Movement of India (SIMI), a homegrown jihadist outfit that is spreading rapidly among disaffected young Muslims across much of India. Both groups are denying any involvement, but police say evidence against them is piling up.

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and the October bombing of two New Delhi markets, killing more than 60.

The alliance makes both groups more dangerous than ever. Thousands of armed guerillas are believed to have attended Lashkar's training camps in Pakistani Kashmir. Indian police think SIMI may have 500 hard-core members and as many as 20,000 sympathizers who can be relied on for assistance and shelter. With SIMI's support, Lashkar's fighters can now operate deep inside India without a lifeline to Pakistan's side of the border. That development has raised new fears of international terrorism on Indian soil. "Al Qaeda is now trying to take advantage of Muslim anger," warns B Raman, a former senior Indian intelligence official. Lashkar has always denied any ties to al Qaeda. But the echoes of Madrid are deafening.

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## We must continue to run

Infosys chairman N R Narayana Murthy says the bombings only prove how resilient the Indian economy has become. Recent bombings hit India's financial capital, Mumbai, when it was down. A recent tumble in the stock market, followed by the government's halt to privatizations, led to worries that the country's boom might be proved a bubble. But the day after the attacks, Bangalore-based software giant Infosys reported a massive increase in its quarterly earnings and the market rallied. N R Narayana Murthy, who retires next month as chairman of Infosys, spoke to Newsweek's Vibhuti Patel about the rebound.

**Newsweek:** What does the market's response say about the bombings?  
**Murthy:** We live with cross-border terrorism in an uncertain world, but we have to get on with the job and emphasize the positive things in life rather than being defeated by the acts of a few evil people.  
**Will the government continue the reform process despite opposition to privatizations?**  
The prime minister had to take some interim decisions to ensure that the government remains

strong despite the disparate forces of the coalition. But I believe he'll continue with reforms and (state) disinvestment and do all that's needed to continue our 8.5 percent GNP growth rate.  
**So the hype about India's progress is not unfounded?**  
The change in India is the result of discussion and debate; it's a durable consensus.  
**How are the economic fundamentals?**  
Our exports are growing at 25 percent (annually), our foreign

direct investment has picked up momentum, we're adding jobs like never before, entrepreneurs are confident. All this adds up to a positive environment.  
**Does that make it easier to withstand such attacks?**  
Yes, we had an attack in Bangalore some months ago, then 52 Hindu families were butchered in Kashmir, and now this. But we've dusted our knees, gotten up and said, "We must continue to run." India realizes that only by focusing on growth



can we solve the problem of poverty. Mumbai was back on its feet the next day. We can't be intimidated.  
**Why are you retiring at the peak of your career?**  
As founders we'd decided that we'd all retire by age 60 to create opportunities for younger people in leadership roles. It'll only happen if we leave to make room for others.

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