Dhaka, Saturday, March 23,1991

A Chance for Our Industries

The industrial policies we persued during the early days of our liberation gave socialism a bad name. The policies of the time of Ershad have done the same for privatisation. For, according to the Task Force report on industrial policies one of 29 similar Task Forces set up by the interim Planning Advisor Prof Rehman Sobhan what happened in the name of promoting private enterprise in the country was a reckless selling off of public sector industries to, what the report calls, the "clientelist interests". And that also at prices far below the market value. To favour the same interest groups, trading and service sectors were given better facilities compared to the manufacturing. With the help of state power financial institutions were either forced or obliged with trade-offs, to give loans to people whose credit worthiness may not have stood the test practiced by such bodies. As the report points out, state enterprises were sold to people with no entrepreneurial skill, credits were made available without much stake for the borrowers and the whole policy towards privatisation appears to have been undertaken without adequate pre-analysis. In simple language what was being done in the name of promoting private enterprise was eminently private indeed - as we are finding out to our dismay now.

The report of the Task Force helps to demolish a few very important myths that were very carefully cultivated by the Ershad regime. It shows that the rate of industrial growth was almost twice as high (4.3 p. c.) during the 75-76 to 79-80 period as compared to the growth rate (2.5 p. c.) of Ershad's tenure. During the last decade investment in trade and service industries was twice as high as in manufacturing. Only about 50 per cent of the target private investment, as projected in the Five-Year Plan, was attained during the period which was supposed to have a "golden era" for private enterprise.

The most disturbing aspect of the Task Force report is its finding that 50 per cent of our industries are what is popularly called "sick" industries. Five causes have been identified for this widespread "sickness". They include: low effective demand for goods, technological backwardness, over investment in the same line of production, over capacity and over capitalisation due to inappropriate credit policy and excessive protec-

Elsewhere in this paper M. Syeduzzaman, the former Finance Minister discusses the problems and constraints to be faced by the newly elected government in promoting development in the country, especially in a global context, which are likely to impose policy constraints on us. As for the growth of our industries this journal is of the same opinion as the Task Force that our first step should be to "cure" our "sick" industries. Here some very hard decisions need to be taken. Those industries that have some chance of recovery, however tenuous, should be given the necessary help but under appropriate supervision and stringent conditions. We are no longer prepared to pay for the inefficiencies and incompetence of the investors. As for the others which are suffering from "malignant illnesses", they should be closed down.

It is now clear that whatever industrial development we could have achieved, in spite of our resource and other constraints, we have been unable to do mainly due to lack of a proper industrial policy and a framework for its implementa-

Though our success stories in the field of industrial manufacturing is not too many yet there are one or two areas - like garments - where we have been able to prove, perhaps to ourselves, that given proper policy, the right incentives and the requisite administrative backing we can produce and sell our goods in the international market just as appreciably as others.

The new government faces many difficult tasks. Promoting our industrial growth is among the most important of them. It is our hope that the government will take proper note of the findings of the report of the Task Force and take appropriate measures to give our industrialists a chance to prove their worth.

Cutting on Media Craze

The newspapers are fast going again to be filled up with high minded exhortations by ministers. The television is already heavy with images of the ministerial exertions in the extramural cares of going about the country sermonizing on everything under the sun. These are sure signs that political days are back. While that certainly is welcome, why should it bring along a return to old ways in all respect? It is understandable that the machinery and the manpower which developed in response to autocracy's mad hunger for publicity, and projection, would only be too eager to have new leaders going for the same.

In the way that diabolical projection machine and the mentality that created it is handled in the first days of the new government would be a very good test of the new leadership. More than that, it would act as a very good indicator for the days to come. There were a handful of advisers to the Acting President who displayed contempt for publicity. They could afford that for they had no stake whatsoever in the voters market. It has now to be seen how far ministers and other leading politicians whose primary business it is to reach people - can desist from unnecessarily occupying time on TV and radio and space on the print media.

We do not say so with the education minister's coverage of yesterday in mind. True, he was only giving his officers their first idea of what to expect from the new boss - kind of a glimpse into his mind and how it worked — which is almost a private and a very routine matter for any ministry - meriting not to be shared with newspaper readers and tellyviewers and radio listeners. But three important things came out of the minister's talk to his team of bureaucrats: a) officials were asked to make education production-oriented; b) mass media has been directed to play a bigger role than before in reaching education to the masses; c) directives are already out to finding ways of maximum utilization of the educational infrastructure.

And these are, unlike very many speeches of the ministers, very much things of public interest. And as such supremely reportable. Can the ministers themselves shift the material that their information officers send out to the newspapers and radio and TV and vet most of the rubbish out?

Global Concerns Impose Constraints

W ITH the new elected government of Bangladesh sworn to on Wednesday, work starts almost immediately on identifying economic priorities and tasks facing the new administration.

This sense of urgency was reflected in the statement made by Prime Minister Begum Khaleda Zia when, within minutes of taking her oath, she told the nation that the first task of the new government would be to rebuild the shattered economy so that people have two square meals a day.

Each administration evolves its own way of addressing the economic challenges facing the country. In my view, no matter how the new government proceeds on this matter, it should place the problems we are confronted with against the international background. We must look at our problems in the context of global concerns expressed say, by the Managing Director of the International Monetary Fund (IMF) in an address delivered in Washington D.C. in January. More than two months after the speech was made, the relevance of the issues raised has only increased for members of IMF, including Bangladesh.

Some of these issues have serious but short-term implications, while others have medium and long-term consequences. The short- term issues and challenges facing market-oriented system, and redefining between the government and the people the international community are: the economic downturn in the United States of America and some other industrial countries.

Issues which pose challenges in the medium-term are: move towards a marketbased economy in most countries of the role of the state in economic on this issue. Eastern Europe; and the economic reforms management. in the Soviet Union.

and of long-term importance are: the problems facing the 'very poorest countries' in terms of poverty and human sufferings; and the debt problem -which has been receiving the attention of the world's rich nations and of the multilateral development and financial institutions, but much remains to be done.

least, of the seven economic challenges resources. mentioned by the Managing Director, which is: the risk of failure of the Uruguay Round of multilateral trade negotiations.

above seven issues.

on Policy Making

by M. Syeduzzaman

Special to The Daily Star (The first of a two part series)

delicate balance are the rate of inflation consistently as they emerge. and the foreign exchange reserves. The dependence of the Government of foreign aid is at an undesirably high level and in the most recent year almost the entire public investment (development expenditure) is believed to have come from the donors.

During the past three to four years issues in a broader context. relationship of Bangladesh with major bilateral and multilateral donors has been economic perception that has taken place characterized by market-oriented economic adjustment and reform programmes which constitute the framework to that of the market. There is a general of policy-base lending from these sources trend all over the world — North, South, to most other developing countries. These East and West, that the government must programmes call for stabilization of the have a smaller role in ownership of assets economy through the restoration and in production and in investment. The maintenance of macro-economic balances, ability of the government to make internal as well as external, implementation of a number of structural adjustment the economy is increasingly being quesmeasures within the framework of a tioned. There should be no mistrust

The policy package advocated by the donors have some important elements with political overtones. These are the relative roles of the state and of the private sector. and adoption of market oriented policies. It will be appropriate to look at these

The most important change in in the recent past all over the world concerns the role of the state as compared optimum use of resources and in managing

It can be said without any fear of

economic impact of the Gulf crisis; and the There is no soft way to economic well-being and development cannot be achieved through populist measures alone. It involves discipline, austerity and sacrifice. Public support and strong political commitments essential.

The terms 'structural adjustment' is Challenges with long term implications seen in many developing countries as associated with conditionalities imposed by donors. Simply stated, structural adjustment and sound macro economic management mean coming to terms with the prevailing economic realities, initiating changes in the production structure of the economy to take account of domestic and external realities, living with one's means, This brings us to the last, but not the and efficient and economic use of

measures involve painful transition. We must realise that there is no soft way to economic well-being and that Though these problems, particularly the economic development cannot be achieved short-term ones continue to undergo through populist measures alone. It inchanges from month to month, volves discipline, austerity and sacrifice. It Bangladesh's economic future is linked di- is, therefore, necessary to have broad rectly and indirectly with almost all of the public support and strong political commitment for the structural measures that The economic situation which a new are selected by any government, consistent Government will shortly inherit will be with the economic realities of a particular characterized by a low rate of growth (3.5- situation. It would be reasonable to expect 4% by the latest estimates), an unbalanced that with the initiation of a popularly budgetary situation, some lack of elected Government in the country it will proportion in the allocation of resources, be easier to explain hard economic mealow levels of public and private sures to the people and mobilize popular investments, unsatisfactory financial understanding and support. Fortunately, position of the public sector corporations structural adjustments in Bangladesh were and enterprises, low levels of labour not forced by a debt crisis or by emergency productivity, and a banking system under conditions as happened in many middle diverse strains including an unsatisfactory and low income countries. There is room loan portfolio. Two things which are in for addressing the adjustment programmes

contradiction that in Bangladesh the performance of the public sector in productive, financial and service related enterprises has been equally disappointing to the government and to the people. The crucial question is, are the people willing to continue with this situation or do they look for a more active role by the private sector? Where has growth taken place? Where have employment opportunities accured for the common man? The growth of the informal sector in trade, transportation, shops, mechanised country boats, food processing and services in urban, semi-urban and rural areas will provide the answer. The contribution of the private sector to the growth of exports in general and of the ready-made garment industry in particular, is another example. To address our poverty situation, the inescapable first step will be the creation of employment for millions of unemployed. It will not be an exaggeration to say that the state will be unable to respond to this need with available resources and public machinery. In the urban informal sector as well as in the labour intensive agriculture sector, most income and employment opportunities can be created only by private entrepreneurs.

The other change that people everywhere are talking about is decentralization of government functions and decentralization in decision making in the' process of economic development. There Star.

is talk about decentralization from the Centre to the 'State' and local government, from the government to the corporation, from the corporation to the enterprises. and also about planning from the grassroot level. in the Indian context I. G. Patel a noted expert and civil servant, has said: "Markets provide the most decentralized model of economic development". But he goes on to add "it is not markets per se that are superior to government regulation or to a command economy. It is markets which are free and competitive that generate economic efficiency". I simple language, market forces mean exposing people to outside information and forces. and to let them decide. To ensure free market based competition, the information media, newspapers etc. have important role to play, and so has free movement of people. None can ignore or overlook today what is happening in Eastern Europe and in the USSR about the role of the private sector and market oriented steps in their economic policy reforms. Undoubtedly, it is only the state which can make, and is in a position to make, long term choice. Therefore, it is important that frequent changes are not made in policy directions. It will upset the calculations of the private sector about making investments - be it in agriculture, industry, transport or other service sectors, or import and export activities. It is the duty and responsibility of the state to ensure that private entrepreneurs who take risks for profits are not adversely affected by sudden policy changes. But the state has to ensure that in the process no monopoly situation is created, that there is no pre-emption of resources by particular groups and that there is free and open competition.

In this context, an important area for public attention will be labour policy. A three-way dialogue between the government, the employers and trade unions has to be developed on labour laws and wages, to encourage labour mobility and productivity. This approach was completely discarded by the past government, and the handling of relationship with labour was completely politicized. It did not help either the labour, or the management or

(Part Two of the series will appear

A former Finance Minister of Bangladesh and an internationally known expert on economic development, M. Syeduzzaman has distinguished himself as a civil servant, with this work almost entirely confirmed to the ministries of planning and finance. He served as the Alternate Executive Director at the World Bank, representing Bangladesh, from 1977 to '82 and then returned home to resume his career in the Ministry of Finance, as the Secretary and Adviser. He took over as the Finance Minister in October 1986 but left the government prematurely in December 1987 for professional reasons.

M. Syeduzzaman is currently on the Board of Trustees of the International Food Policy Research Institute in Washington and is Board Chairman of the Bangladesh Palli Karma Sahayak Foundation. From time to time, he also serves as an expert assisting bilateral and multilateral donor agencies on development projects outside Bangladesh. Mr. Syeduzzaman will be writing regularly on economic matters for The Daily

Philippines Can't Keep up with ASEAN Joneses

RIUMPHANT as it is, the capitalist world can't help but rejoice over an expanded market of goods and services as the economies of the Soviet Union and Eastern Europe open up.

With the global collapse of communism, economic experts project that within the decade, other communist-led countries like China would be joining the bandwagon of a free market system.

Developing countries like the Philippines are supposed to benefit from this rapid growth of the world market, taking it as a chance to expand international trade and investment flows.

But economic analysts doubt the ability of the Philippines to take full advantage of the situation, considering its below-average performance in trade and investments among Southeast Asian nations.

If China and other communist-led nations would join the newly opened Soviet and Eastern European markets, the expansion of the world market would be more dramatic.

China alone, being the most populous country in the world, has over a billion people and reportedly a Gross Domestic Product of over US \$400 bil-

Moreover, the USSR and Eastern European countries make up about 385 million people with an average per capita GNP of about US \$7,000 based on official 1989 exchange rates.

Meanwhile, analysts observe that traditional markets of free enterprise economies — Western Europe, Japan and the Newly Industrialised Countries - continue to expand and supplement the American market. propelling Third World

economies to progress. Unfortunately, "the Philippines has a long way to go to join the march toward a global economy," comments Julius Caesar Parrenas, senior economist at the Institute for International and Strategic Studies of the private thinktank Centre for Research and Communication (CRC).

In recent years, Philippine exports have dramatically gone up, particularly the non-traditional ones like garments, semi-conductors, and semiprocessed food products, Mr. Parrenas says in a paper for

But the country's external trade performance is still not at par with those of its ASEAN neighbours, which, Mr. Parrenas noted, are vigorously penetrating the markets of the old and the new industrialised countries.

The Philippines stands last in external trade volume Maricor Zapata writes from Manila

The country's external trade performance is still not at par with those of its ASEAN neighbours

among ASEAN nations, with the exception of small Brunei. The ASEAN (Association of Southeast Asian Nations) groups the Philippines, Brunei, Indonesia, Malaysia, Singapore and Thailand.

Mr. Parrenas cited data from the International Monetary Fund and World Bank which showed that Philippine exports in 1988 amounted to US \$7 billion, way below the ASEAN average of US \$20.5

Singapore had the highest, close to US \$40 billion, followed by Malaysia (over US \$20 billion), Indonesia (less than US \$20 billion) and Thailand (with exports worth US\$16 billion), or more than twice those of the Philippines. In the past decade, the

Philippines generally lagged behind its neighbours, except for Indonesia, in export growth.

Philippine exports then grew annually by an average of 3.76 per cent from 1980 to 1984 and 10.2 per cent from 1985 to 1989. On the other hand, the five ASEAN countries averaged 8 per cent and 11.6 per cent during the two

periods. While being overdependent on the United States market the Philippines falls behind other ASEAN countries in promoting exports to the European Community and the rest of the world as well as in attracting investments from these countries that can help

expand foreign trade. Some 38 per cent of Philippine exports go to the US yearly. But this is equivalent to only less than 1 per cent of US imports. Similarly, Japan absorbs about 19 per cent of Philippine exports, but this constitutes only 1 per cent of Japan's imports.

On the other hand, while EC imports amounted to US\$1.1 trillion in 1988, the Philippines could only supply 0.1 per cent of this market.

As for foreign investments, the Phlilippines still ranked lowest among Southeast Asian nations, except for Brunei, despite government attempts to attract foreign capital.

It is heartening to note,

though, that net direct foreign investments in the Philippines grew by an average of 25 per cent yearly, as this signifies the country's recovery from its economic crisis in 1983 to

This growth rate, however, is small when compared with those of Thailand (89 per cent) and Malaysia (50 per cent).

For the same period, direct foreign investments in the Philippines averaged US\$373 million a year, far below the ASEAN average of US\$634

From the 1970s to the 1980s, the US and Japan have accounted for more than twothirds of all direct foreign investments in the country. although investments from Hong Kong and Taiwan grew much faster in the past

The average annual growth rate of Hong Kong investments then was 186 per cent; Taiwan, 127 per cent; Japan, 71 per cent; US, 22 per cent, and Europe, only 20 per cent.

Why can't the Philippines get as much foreign investments as its neighbours are getting? Economists point out several factors: the country's politically unstable image, poor local infrastructure, government indecision and nationalist rhetoric.

Economic analysts note

of the world is quite crue!

with regret that up to now Philippines has not completely left its import-substitution policy of the 1950s.

That policy worked well in the 1960s, they observe, successfully spawning infant industries like in Taiwan and South Korea. It even helped make the Philippines one of the fastest growing economies in Southeast Asia.

But the industries' growth has been stunted, experts say, primarily because these were not later exposed to world competition at a time when other industrialising economies like Hong Kong and South Korea "were beginning to enjoy the fruits of a competitor-die export orientation."

"Many Philippine industries are still infants today, unable to move without the crutch of tariff protection," Parrenas concludes.

Much remains to be done to improve the Philippines' business climate for it to attract more foreign capital and for its local industries to flourish.

But economic analysts say all it takes is a government bold enough to implement economic reforms, which, though maybe controversial and a little painful, need not be so radical as those in the USSR, Eastern Europe and Latin America. - Depthnews

The Tower of Pisa

Sir, Expert opinion says that the leaning Tower of Pisa will collapse and thus completely go out of existence, if it is not repaired immediately.

It is the fear of this danger that the tower has been closed to visitors since the beginning of this year.

For a long time now, we are hearing of the leaning and thereby chances of tilting over of this tower. But till now the concerned authorities have not taken

any steps towards repairing the tower, as it seems.

This is a historical piece of architecture. Therefore, it should be preserved at all costs by the country concerned. It owes this much to posterity.

This tower must remain intact, if not for anything else, at least for our future generations. It is a heritage worth keeping. Therefore, it's repair

work should begin as soon as possible. Bashir Ahmed, Mohakhali, Dhaka.

Furniture designing

Sir, Now-a-days furnitures produced in our country, have been showing a trend towards novel and innovative designs.

Earlier, there was not so much of effort put in the field of furniture making in our country.

These days the craftsmanship in this area has improved immensely. If we order a particular design, from a catalogue book. there is every possibility that it is going to be reproduced in the best possible way. This guarantee was not there, even a few years back.

This is true about both wooden as well as cane furniture.

Though it is quite expensive, and often beyond the purse of the middle class, however, sometimes they can have such designs made in a lesser quality of wood also.

Banani, Dhaka.

Habib Nayeem,

Summer heat

Sir. Summer in this part

The heat and the dust to gether is good enough to cause a lot of problems 10 those who have to wander around the city, for various reasons.

Often, the humidity / is quite high too, making, it even more miserable for them and others. With the coming of summer starts the long and dreary days. which appear to be

unending. The scorching heat is sometimes almost unbearable. But what can be done about it? It is something beyond any one's control, except going for coal tree covers.

Summer is also the time when children as well as those who are generally week and old, are likely to get ill. We should be cautious in that.

Therefore, this season is

uncomfortable and makes everyday life difficult and troublesome. And to seek some relief we may at least have some shady trees along our thoroughfares. Delwar Hossain,

Dhanmondi, Dhaka.