

'Prospects for self-reliant economy hopeful'

Star Economic Report

There are hopeful prospects of a self-reliant economy in Bangladesh despite its heavy dependence on foreign aid.

This was observed by Dr. Qazi Kholiquzaman Ahmed, an eminent economist, chairman of Bangladesh Unnayan Parishad and President of Bangladesh Society of Economists.

In an exclusive interview to the Daily Star on Friday, Dr. Ahmed said country's vast manpower should be the basic focus of resource mobilisation. Economic and social restructuring will also be needed to help enable the masses use their creative energies, he said.

Following is the excerpts from the interview taken by Star's Special Correspondent Shahiduzzaman Khan.

Q: The 1980s is now regarded as a 'lost decade' for the world's poor countries including Bangladesh. What prospects, do you see, are there for these countries in the 1990s?

A: If the 1990s is a repeat of the 1980s in terms of economic failure for the poor countries of the South, the results will not only further destabilise them but can also be a serious threat to peace and stability in the world as a

whole. The world community therefore has a stake in the economic progress of the South.

The affected countries have of course a lot to do by themselves. They must, for example, recast their priorities to utilise available resources, both domestic and foreign, to achieve best possible results in terms of human development. This means that their economic programmes should focus on bringing the presently alienated large numbers of people into the productive spheres introducing, for example, far-reaching agrarian reforms and promoting small scale and cottage industries on a wide scale. Also, more resources will need to be devoted to basic education, primary health care, family planning and protection of the environment. Arms expenditures should be reduced and corruption eliminated. Indeed, a strong political will is needed in order to bring about such a recasting of priorities, which can be guaranteed by a truly democratic and accountable system of governance and economic management.

In so far as Bangladesh is concerned, there is now an excellent opportunity with the replacement of a long standing autocratic regime by a demo-

cratic process. If the parliamentary system, which the Jatiya Sangsad is now working on, is satisfactorily introduced and democratic institutions are created at appropriate lower levels, with adequate guarantees for peoples voices to be properly reflected in decisions made and socio-economic programme formulated, the needed political will should emerge. But, this will depend on the foresight and respect for democratic values on the part of the elected representatives of the people, both in the government and in opposition, who are now in charge of shaping the country's future.

On the other hand, unless the international system which is grossly inimical to the interests of the south is reordered appropriately, the poor countries have virtually no chance of achieving economic progress. Gamini Corea, who chaired a UN General Assembly committee that designed last year a development strategy for the 1990s, has warned that as long as northern economic hegemony, import barriers, Third world debt crisis and depressed commodity prices are not corrected there will be more turmoil in the south which could spill over and directly af-

fect the North. In the post-cold war situation, while the Soviet Union is no longer in a position to influence the international proceedings, the United States has virtually become the single superpower. The 'new world order' that US President George Bush has called for seems therefore to be one that will be supervised by one superpower, and has nothing to do with the 'new international



Dr. Qazi Kholiquzaman Ahmed

economic order' that was the call of the 1970s. Let me say, in short, that it is the kind of equitable international economic order that was being discussed in the 1970s that can guarantee stability and peace in the post-cold war period. The UN can and should play a catalytic and pivotal role in this process; but it must be ensured that the interests of all nations, poor and rich, militarily weak and mighty, are protected and enhanced by the UN, without prejudice or favour.

Q: You have mentioned the evolving democratic system in Bangladesh. What are the economic implications of this process?

A: The establishment of a true democratic system in Bangladesh involves both a political process and an economic process. While the participation of the people in the governance of the country through representative institutions, rule of law, and public accountability of those who are in charge of decision making and implementation of policies, programmes and projects are essential ingredients of the political process, poverty alleviation must be the central theme in the economic process. Only when people see that the evolving democratic process is able and working towards improving their eco-

nomical conditions they will support the system.

It is not rhetoric, but concrete and hard-headed policies and programmes placing people at the centre stage that are needed. Given the prevailing objective conditions in the country, the primary role should be assigned to agriculture, properly reorganized and supported, while industrialization should be so planned as to play a complementary and supporting role. And as mentioned earlier, an appropriate agrarian reform, and promotion of small and cottage type economic activities must be given priority in the allocation of resources and policy support.

Q: Is Poverty Alleviation in Bangladesh possible through Market mechanism which is now being propagated as the panacea for all economic ills.

A: Each system has its advantages and disadvantages such that it can achieve certain things efficiently, but is inefficient in other respects. Market economy has led to fast economic growth in many countries but, at the same time, failed to bring about corresponding the human development in terms of life expectancy, health, education and sanitation. On the other hand, public interventions in

other countries have led to faster human development although economic growth has been rather sluggish in these countries, e.g. China, Costa Rica, Sri Lanka and Jamaica. Therefore reliance on market forces is not a panacea for all economic ills. Hence, dogmatic reliance on market forces is unjustified and misplaced.

Donors such as USA, EEC and World Bank insist that recipients introduce unfettered market mechanisms in all spheres of their economies. But the USA and EEC countries pay billions of dollars as agricultural subsidies. The Uruguay Round of trade negotiations faces virtual collapse as a result of their uncompromising attitude on this issue. This is a double standard, reflecting 'dollar power'.

In short, I would argue that selective and effective use of both market mechanism and public interventions is likely to produce good results in terms of both economic growth and human development.

In Bangladesh, poverty alleviation definitely calls for public actions; and, in the name of reliance on market forces, the government must not abdicate its responsibilities. In such cases as promotion of employment for the poor masses

and their integration in the economic process, I see no alternative to public programmes and actions. However, what bedevils the whole public intervention process is large scale corruption. It is therefore necessary to root out corruption and make the public sector more efficient and accountable rather than switching away from public actions to market mechanisms indiscriminately.

In this context appropriate institutions and trained and motivated management cadres are of crucial importance. Unfortunately, Bangladesh is grossly deficient in both these respects. This needs urgent correction.

Q: Bangladesh is heavily dependent on foreign aid and domestic mobilization of resources is a crucial pre-condition for reducing dependence on foreign aid and introducing a self-reliant economic process. What are the prospects for domestic mobilization of resources.

A: Indeed, the domestic saving in Bangladesh is 2 per cent of the GDP or less and national savings, which include domestic saving, foreign remittances and other invisible earnings, of the order of 4.5 per cent of the GNP. In addition, natural calamities keep on inflicting heavy economic losses to the country. Bangladesh is therefore heavily dependent on foreign aid. But I believe there are hopeful prospects of a self-reliant economy. First of all, the mobilization of resources has been to be seen in a large context. That is, utilization of the vast potential manpower that this country has must be a basic focus of mobilization of resources. In this context, economic and social restructuring will be needed in order to enable the mass of the people to use their creative energies and labour for economic upliftment of themselves and the country. I have already indicated some directions. Also, employment based planning may be used. This means that employment generation, and not investment, will be the primary basis of economic planning. The investment targets will be derived from employment targets. However, efficient utilization of capital and minimization of environmental impact will be built into the planning process.

The tax system must also be made more efficient. At 8.6 per cent of GNP, the tax ratio in Bangladesh is one of the lowest in the world.

Snippets

US bank guarantees first loan to Soviets

WASHINGTON, July 19: The government's Export-Import Bank agreed on Thursday to guarantee a 17.3 million Dollars loan by a private bank to the Soviet Union, the first such guarantee in 17 years, reports AP.

Participants in a deal to sell US equipment for manufacturing batteries to the Soviet Union had tried unsuccessfully to get a bank loan without the guarantee. But President Bush waived the prohibition of help from the government bank, making the guarantee possible.

Dollar, Pound and gold share bad day

LONDON, July 19: The Dollar weakened on Thursday despite better than expected US trade deficit figures, and was accompanied by the Pound and gold on its downward trajectory, reports AFP.

"Everybody is selling Dollars today," said Barclay's analyst Bill Simpson. Brokers attributed the trend to technical causes.

Sterling weakened after the publication of government figures showing the British recession to deepening and finished down against all currencies except the Dollar, the French Franc and the Yen.

Germany's inflation to rise

FRANKFURT, July 19: Steep tax increases which took effect on July 1 will add half a percentage point to Germany's inflation rate in the second half of the year, the Bundesbank said here Thursday, reports AFP.

Inflation in the former West Germany had reached an annual 3.5 per cent in June, its highest level in eight years and a figure described as "absolutely unsatisfactory" by Helmut Schlesinger, the incoming Bundesbank President.

Common policies to boost coffee prices

GUADALAJARA (Mexico), July 19: Brazilian President Fernando Collor and his Colombian counterpart Cesar Gaviria held talks here Thursday on adopting common policies to boost international coffee prices, Colombian Foreign Minister Luis Fernando Jaramillo said, reports AFP.

The presidents of the world's top two coffee exporters met on the sidelines of the two-day 21-nation Ibero-Latin American summit which Mexican President Carlos Salinas opened Thursday.

Nigeria realises extra revenue from oil

LAGOS, July 19: Nigeria, which based its 1990 budget on 16 Dollars per barrel of crude, realised extra revenue of 2.314 billion Dollars as a result of increase in quantity and price of crude oil sold during the Gulf war, Vice President Augustus Abacha said here Wednesday, reports AFP.

Actual volume of oil export sales made by Nigeria between last July to December was about 147.3 million barrels — 27.7 million barrels higher than the 119.6 barrels that would have been produced in accordance with the budget, he said in an address to Nigerian journalists and heads of media organisations.

Confere on tourism in Singapore

SINGAPORE, July 19: The local tourism industry will meet leading Japanese travel wholesalers at a conference here as part of efforts to arrest the decline in the number of visitors from Japan to the island republic following the Gulf war, reports AFP.

The Singapore Tourist Promotion Board (STPB)'s Executive Director, Pek Hoek Thiam, said in a statement Thursday that the conference to be held Saturday, was a constructive initiative from the local tourism industry and would further bolster efforts to rebuild growth in Japanese arrivals.

Natural rubber output falls in Malaysia

KUALA LUMPUR, July 19: Malaysia's natural rubber production fell two per cent to 467,497 tonnes during the first five months of this year, the official statistics department said Thursday, reports AFP.

The department, releasing its latest monthly rubber statistics, said Malaysia produced 474,694 tonnes of natural rubber during the same period last year. It said stocks at May 31 stood at 139,380 tonnes, a drop of 11 per cent or 18,110 tonnes compared with April 30.

Nahayan slates Bank of England for freezing BCCI assets

LONDON, July 19: The ruler of Abu Dhabi on Friday criticised the Bank of England for its "unjustified action" in freezing the assets of the Bank of Credit and Commerce International, reports AFP.

Sheikh Zayed Bin Sultan Al-Nahayan, together with the Abu Dhabi government and the Sultanate's investment authority, took out a full page advertisement in Friday's Times criticising the bank's move.

The three majority shareholders in the crisis-hit bank say they were "shocked" by the "abrupt action" of the Bank of England and other regulators. They are also critical of auditors price waterhouse.

They add that in autumn last year, at their instigation, a major investigation was launched into irregularities at BCCI.

The shareholders say planning for the formation of three

new separate Banks in London, Abu Dhabi and Hong Kong was at an advanced stage and senior staff were already recruited with the knowledge of the Bank of England and other regulators.

Another report from Kuala Lumpur adds: Malaysia's stringent banking guidelines stopped the scandal-hit Luxembourg based Bank of Credit and Commerce International (BCCI) group from setting up operations in this country, Bank Negara, the Central Bank said Thursday, reports AFP.

The bank's Manager for Bank Regulations, Abdul Murad Khalid said the BCCI group had several times sought representation in Malaysia.

"Between 1976 and 1990, Bank Negara received three applications from Bank of Credit and Commerce International Cayman Islands (BCCI Overseas), a subsidiary of BCCI

Holdings Ltd, seeking approval to establish a commercial bank branch office in Malaysia," he told Bernama news agency.

Murad said the applications were rejected, partly because of the officials' stance that no new licence would be issued for the establishment of a bank in Malaysia.

He said that in 1988, after failing to obtain approval for a branch, the BCCI group, through another subsidiary, BCCI S.A. Luxembourg, applied to open a representative office in Malaysia but Bank Negara also turned down that application.

Murad said the BCCI group made another two attempts in 1987 and 1990 to gain a foothold in Malaysia, through equity participation in a finance company and a merchant bank respectively.

G-7 helps conceal UK recession

LONDON, July 19: The upbeat message of recovery presented by the Group of Seven (G-7) major industrialised nations at this week's summit helped disguise the fact that Britain remains in deep recession and is set to lag behind the general upturn, economists here believe, reports AFP.

The headlines grabbed by the G-7 summit's assertion that global recovery was already underway overshadowed a series of acknowledgements in recent days by British treasury ministers that there were no signs yet of a pick-up in activity here, Robert Lind, UK economist with UBS Phillips Andrew said.

Official figures released Thursday showed unemployment rising 59,700 to 2.28 million in June, its 15th consecutive monthly rise and taking the unemployment rate to

8.1 per cent. Although the June increase was smaller than expected, most economists see unemployment rising steadily to over three million at some point next year.

Industrial output fell by 0.5 per cent in May from April, a drop that was significantly sharper than the 0.2 per cent fall predicted by city analysts.

AFP from Tokyo adds: Japanese newspapers Thursday stressed the emphasis placed on political over economic issues at the summit in London of the world's seven leading industrialised democracies.

They noted the greater importance attached to international organisations by the G-7, particularly the United Nations.

Market Prices of Listed Shares and Debentures with Dhaka Stock Exchange

At the close of trading on July 11 and July 18, 1991.

Company	EV/ML*	1990-91			
		July 11	July 18	High	Low
BANKS (Ten)					
AL Baraka Bank	1000/1	810.00	810.00	1135.00	725.00
AB Bank	100/5	182.00	185.00	255.00	135.00
City Bank	100/5	268.00	270.00	275.00	180.00
LFIC	100/5	190.00	180.00	235.00	140.00
Islamic Bank	1000/1	1210.00	1215.00	1210.00	925.00
National Bank	100/5	110.00	109.00	145.00	102.00
Pupali Bank	100/5	110.00	110.00	115.00	90.00
Rupali Bank	100/10	78.50	77.00	130.00	75.00
U.C.B.I.	100/5	128.20	129.00	155.00	128.00
Utara Bank	100/5	214.00	214.00	240.00	193.00
INVESTMENT (Eight)					
ICB	100/5	100.00	100.00	117.50	90.00
1st ICB M.Fund	100/5	422.00	422.00	575.00	403.00
2nd ICB M.Fund	100/5	180.00	186.00	220.00	170.00
3rd ICB M.Fund	100/5	159.20	155.00	173.00	143.00
4th ICB M.Fund	100/10	144.00	141.00	181.00	133.00
5th ICB M.Fund	100/10	128.36	124.50	142.00	115.00
6th ICB M.Fund	100/10	90.00	88.00	104.00	85.00
ICB Unit Cert.					
Sales Price					
Re-purchase					
INSURANCE (Four)					
BGC	100/10	110.00	110.00	117.50	104.00
Green Delta	100/10	118.50	110.00XDL	122.00	104.50
Peoples	100/10	120.50AL	120.50AL	120.50	108.00
United	100/10	117.00	116.56	122.00	105.00
ENGINEERING (Nineteen)					
Afab Automobiles	100/5	200.00	197.00	232.00	194.00
Atlas Bangladesh	1050	39.50	39.50	48.00	35.50
Aziz Pipes	100/5	235.00	250.00	250.00	180.00
Bangladesh Autocars	100/5	104.00	102.00	137.00	109.00
Bangladesh Lamps	105/5	290.00	290.00	385.00	230.00
B.Thal Aluminium	100/10	98.00AL	98.52	110.00	75.00
Bengal Carbide	100/5	400.00	400.00	450.00	320.00
Bengal Steel	10/50	18.00	18.00		
Eastern Cables	100/5	81.00	78.00	109.00	75.00
Howlader PVC	100/10	101.50	103.00	122.00	100.00
Karim Pipe	100/5	117.00	117.00	139.00	110.00
Metallic Corp.	100/5	100.00	100.00	113.00	75.00
Monroe Staffers	10/105	250.00	250.00	250.00	250.00
Mozzo Jutez	100/5	350.00	350.00	400.00	350.00
National Tubes	100/10	108.00	110.00	137.00	102.00
Panther Steel	10/50	6.00			
Quasem Drycells	10/50	8.11	8.00	9.30	7.25
Remwick Jajneswar	100/5	66.75	67.00	75.00	40.00
Singer Bangladesh	100/5	1005.00	1005.00	1150.00	1000.00
FOOD & ALLIED (Twenty one)					
AB Biscuit	100/5	200.00	200.00	290.00	200.00
Alpha Tobacco	10/50	48.00	48.00	48.00	48.00
Aman Sea Food	100/5	36.00	36.00	40.00	36.00
Apex Food	100/5	340.00	340.00	340.00	260.00
Arzoma Tea	100/5	50.00	50.00	54.00	45.00
Bangladesh Tea	100/5	305.00	305.00		
Bengal Food	100/5	155.00	148.00	255.00	140.00
B.L.T.C.	100/5	600.00	600.00	600.00	600.00
B.T.C.	10/50	50.00	50.00	53.00	35.00
Cig. Vegetable	100/0	100.00	100.00	117.00	90.00
Dhaka Vegetable	100/5	134.32	130.00	192.00	130.00
E.L. Cemeilia	100/5	700.00	700.00	700.00	500.00
Frogleg Export	10/50	8.00	6.00	8.00	4.00
Gemini Sea Food	100.00	100.00	100.00	100.00	100.00
Modern Industries	100/5	1180.00	160.00	180.00	120.00
N.T.C.	100/5	265.00	265.00	350.00	220.00
Rabeya Flour	10/100	NT	NT		
Rupali Oil	10/100	6.00AL	6.00AL	9.25	6.00
Tully Dairy	100/10	94.00AL	92.00AL	105.00	90.00
Yousuf Flour	10/50	NT	NT		
Zeal Bangla	10/50	8.00	8.10	10.00	7.40
FUEL & POWER (Three)					
Padma Oil Co.	10/50	40.00	40.00	47.00	40.00
Eastern Lubricant	10/50	14.00	14.00	90.00	46.50
Oxyzen	10/50	48.25XDL	48.50		
JUTE (Twelve)					
Abad Jute	100/10	NT	NT		
Anwara Jute	10/50	NT	NT		
Dakka Jute	10/50	8.50	8.50		
PHARMACEUTICALS & CHEMICALS (Fifteen)					
Ambee Pharma	10/50	14.00	13.75	18.25	12.50
Bangla Process	100/5	60.00	50.00	73.00	50.00
Beximco Pharma	100/5	173.00	173.33	182.00	149.00
Glaxo	10/50	125.00	125.00	240.00	125.00
I.C.I.	10/50	10.00	10.00		
Kohinoor Chemical	100/5	70.00	68.00	93.00	66.00
Petra Synthetic	10/50	15.50	15.50	15.50	10.50
Pfizer	100/5	110.00	110.00		
Phama Aids	100/5	175.00	175.00	200.00	150.00
Pharmac	100/5	40.00	40.00	55.00	