**Promoting Trade within** 

SAARC

meaningful than it has so far been. This time the

focus is on trade. The occasion is a review of a

regional study on trade, manufacturing and ser-

vices currently being held in New Delhi. The re-

gional study is based on country submissions in

port Promotion Bureau, makes three fundamental

points: a) bring down all trade barriers; b) re-

structure the existing trade patterns; and c) ex-

change and disseminate information relating to

has been strongly made by the Foreign Secretary

Muchkund Dubey while inaugurating the review

meeting on Monday last. He said that SAARC

countries should work for a general freeing of the

with GATT's thinking and the World Bank / IMF

prescriptions. But there are two ways of looking

at it. One is the "infant industry" position which

advocates protecting national industries till they

are strong enough to withstand competition. The

other view is that competition brought in through

trade liberalisation will help local industries to

attain efficiency and maturity. India's push for

greater liberalisation rings a bit hollow because

India, like in the past, has the most restrictive

trade policy among all SAARC members. This is

so, despite being an industrial power of consider-

Policies of trade liberalisation falls right in line

markets and towards their eventual integration.

India's position supporting trade liberalisation

The Bangladesh's position, prepared by our Ex-

which all SAARC members have participated.

We are at it again, - how to make SAARC more

for 1972-73, this will probably be the most difficult budgetary exercise. In the first place, the Government is already

faced with a compelling need for policy reforms in a number of areas. The room for flexibility in redesigning the annual development programme is also limited because of or going projects. The policy reform programmes are of medium term nature and many of them entail transitional discomfort or pains. Over and above, the government have now to deal with the impact of the recent cyclone on life and property. However, this should not deter the Government from pursuing the medium term

policy reforms. The cyclone has brought untold misery and suffering in the areas of the country it has struck. But it is also true that it is not a disaster which has affected the entire country. If we were faced with a country wide disaster, probably the approach to some of the policy reform programmes would have to be reviewed. In fact, in view of the new demand on national resources which the cyclone disaster has created, there is now an increased need for greater austerity, greater discipline and better management efficiency in all areas, all of which the

policy reforms also call for. Some modification of the reform programmes, particularly those having short term implications will have to be considered. It should not be difficult to review the monetary expansion targets to accommodate increased credit requirements, keeping these within reasonable limits to avoid inflationary pressure. For trade and industry, the banks may flexibly use the interest rate band. Such measures are possible without distorting the financial sector reform objectives. At this moment, very few would consider that implementation of the recommendations of the pay commission deserves the highest priority. This should help keep the budget deficit at a minimum level or to avoid it

should resist the temptation to replace the assets 'like for like'. They should consider seriously what we could afford before the cyclone and what we can afford now after the cyclone. Sound principles of public resource management would require fresh justification for all proposals for replacement of lost assets. The concept of "zero based" budgeting should be usefully invoked in the present situation. Affected public sector enterprises should also take advantage of this occasion to review their

overall situation to bring a balance between

ONCERN about global

warming, which will have seri-

ous environmental, economic

and social repercussions for

For more than ten years.

the risks posed by climate

change have received an in-

creasing amount of attention

from the international scien-

tific and political communities.

A series of international con-

ferences held throughout the

1980s synthesized the avail-

able science, mobilized further

research, and provided in-

creasingly specific warnings

and recommendations for ac-

In 1988, UNEP and WMO

established the Intergovern-

mental Panel on Climate

Change, with a mandate to the

Panel to study the science and

impacts of climate change, and

to recommend possible policy

responses. Several hundred

scientists from more than 35

countries participated in the

IPCC's study. Its conclusions

and recommendations were

presented to the Second

this and future generations.

SOME THOUGHTS ON THE COMING BUDGET

on Policy Formulations owners. No further decisions on economic issues should be taken on purely political considcrations at the present critical juncture.

The Baily Star 4

by M. Syeduzzaman

Special to the Star

their capacity and use of labour, resist any pressure for wage increases which are not justified by a sound relationship between productivity and income, attempt to remove misalignment between the costs and prices of their products, and make serious efforts for maximizing the use

of available capacity. It is expected that the new Government will take a rational approach toward the pricing of public sector products and not encourage misalignment between costs and prices on ground of political sensitivity. The tendency to consider a pricing decision by a public enterprise as a taxing decision should be completely eschewed. What Governments often seem to forget is that retail trade and marketing of most goods produced by the public sector are in private hands; and any misalignment between

This is not to imply that there should be no new investments in these areas, but it is a question of priority. This applies to the energy sector, telecommunications, ports, and roads and highways. A greater role for the public sector in the economy, particularly in these two areassocial services and infrastructure development, will call for generating higher public resources through savings and new revenue raising measures. It is in the interest of this particular objective that medium term reform programmes in the financial sector, in the field of taxation, in the trade sector, and in the area of public enterprises have to be kept on track.

The public enterprises, particularly those in the manufacturing sector should be extremely careful in planning outlays for creating new ca-

At the moment, very few would consider the implementation of recommendations of the Pay Commission as a matter of the highest priority. This should help keep the budget deficit at a minimum level or to avoid it altogether.

costs and prices invariably creates "rent seekers", depriving the consumers totally of any benefit the Government may have intended while opting for soft decisions on pricing.

In FY 1991-92 as well as beyond, the public sector investment programme will be expected to have an important role not only in activating the economy, but also in demonstrating Government's commitment to the social sectors such as expansion of primary education, health and family planning facilities, and availability of safe drinking water. Higher levels of investments in these sectors will be needed to fulfil the Government's declared commitment to the reduction of poverty and will also coincide with a major policy objective of the donors who provide the resources for the bulk of our public investment programme.

In the field of infrastructure, another major public sector obligation, the immediate emphasis has to be on repair and rehabilitation of the cyclone damaged assets and better maintenance of such assets all over the country. This will deserve priority over opting for new investments.

pacity. Looking at the current year's budget document it appears that practically no public sector industrial corporation will have a real surplus or profit. If a corporation feels that it is in a position to generate surplus or profit, and wants to go for new investments, the best test would be to go to the capital market for floating bonds and shares with full disclosure of their balance sheet.

The Government will have to keep in mind the signals that decision on major economic is sues generate. The recent decision on waiving of land revenue upto a high ceiling of 25 bighas has already raised questions of affordability and equity. Similarly, the decision for writing of all agricultural credit and interest upto a certain limit is also extremely difficult to defend.

In the past, there were allegations of misuse of agricultural credit. Results of surveys by financial institutions and outside researchers indicate that agricultural credit in a large number of cases were preempted by influential and politically connected large farmers and land

In recent weeks, there has also been a demand in support of subsidy for exports. In our exports promotion efforts, we have, in the past, followed a multi-faceted approach involving such elements as concessional interest rate, subsidy, rebate on income tax etc. All these are distortionary. It should be possible to expand exports and make them viable by promoting efficiency and following a flexible exchange rate policy. A well designed duty draw back facility with freedom to import raw materials and intermediate products will be extremely helpful in creating export oriented industries.

In recent weeks views have also been expressed in support of the Government intervention for the rehabilitation of 'sick' industries. In the public sector, such decisions should be carefully weighed, taking into account 'sunk' costs. Public resource support for rehabilitation or revival of 'sick' industries in the private sector will be inconsistent with the Governments declared policy for providing greater opportunities to the private sector. Private sector industries should be able to stand on their own efficiency, facing market competition.

Many political leaders and also intellectuals have made unqualified pronouncements in favour of maximizing production at any cost. We hope the Government will be extremely cautious in propagating this view. Production has to be efficient, marketable and profitable. It will be a wastage of national resources to go for maximizing production for its own sake. We should produce what we can sell and sell what we produce. In order to ensure this, we must constantly improve our efficiency and carefully choose our product mix.

The Government can ill afford to give signals which may be interpreted as policies taken under pressures of lobbies and interest groups, or as populist policies on political considerations.

What is worrying is that all decisions of the type mentioned above will create additional pressure on the budget and public resources, thereby eroding public savings available for investments which is the last thing the Government can afford to ignore in the preparations of the budget for 1991-92.

The writer, a regular contributor to this paper, is a former Finance Minister of Bangladesh.

able repute. It is said that the current strength of India's manufacturing sector was attained through long years of protective measures, a position that Pakistan holds at the moment. It is India's comparative economic strength that creates the initial hesitancy among other A number of public sector organisations SAARC members to go for liberal trade. The fear have lost their assets in the cyclone. They of being overwhelmed has worked against greater trade between the regional partners. This fear is a legitimate one and has to be realistically addressed. A greater acceptance by India of

manufacturing items from other countries can perhaps show us the way. Alongside improved flow of goods and services, there is also the question of joint ventures by SAARC members that needs to be looked into. Often we are competing with each other in the international market. Joint ventures will lesson this possibility and perhaps equip us in other areas to try for international markets. In this regard we call upon the SAARC members to follow-up the suggestion for a SAARC Fund for Joint Venture Projects. The idea is still in the process of maturing. In this Bangladesh, which favours the creation of permanent multi-sectoral investment institute for the purpose, is opposed by India which does not favour the setting up of a separate

Promoting greater trade between SAARC members is a challenging and formidable task but an extremely urgent and necessary one. Trade and investment are the key elements in achieving development and progress in today's world. Without increased trade between our countries, the SAARC economies are not likely to get the necessary impetus for growth. In many ways our economies are complementary and our goods and services are of mutual need. Leaving aside extraneous issues we should approach the task of improving trade among SAARC countries with professionalism and mutuality of interest. If our regions can have extensive trade among themselves in spite of age-old problems and difficulties then so can we. It is high time that SAARC becomes more active in this area.

## Poor Higher Life Expectancy

On the face of it Bangladesh seems to have worked wonders - it has raised the life expectancy of its people from 40 to 52 years. The time it took Bangladesh to do so - 30 years would, however, tend to detract from the credit it should be the nation's. But looking back on the British times when life expectancy for all India, including Bengal, was a paltry 28 years, we feel assured of the caravan of human welfare moving on howevermuch slowly.

It will be too presumptuous to put the credit of the augmented life expectancy on improved medicare comprising better and more conscientious and more numerous doctors working in an equitably distributed fashion throughout the nation. The galloping population has not allowed the neophyte physicians issuing from the colleges to make any marked improvement on the doctorpatient ratio. The better-educated, higher-trained and more experienced physicians and surgeons tend to cluster around the richest urban pockets reducing the official patient-doctor ratio into worse than a farce.

The main contributing factors to the improved life expectancy scene are: one, improved social and public hygiene; two, better understanding of unstoppable killers of yester years resulting in better and easier therapeutic and surgical handling; and, three, less child mortality due to the above as also better ante-natal and post-natal care

in some areas of society. However, seen from another very practical point there's little to gloat over our achievement on this count. Fifty-two - which seems stupendous to us is ten years lower than the average life expectancy of the lowest developed countries -

or LDCs. In addition, around a million people are currently suffering from cancer in our country. And we have all the reason to suppose that this is only the tip of an iceberg, for cancer patients hardly report or are detected before reaching the terminal stage. Experts quoted by a vernacular national daily yesterday said, together with the increasing environmental pollution including atmospheric, aquatic and biospheric degeneration the increase in population and a concurrent increase in their life expectancy are contributing to the rise in the incidence of cancer cases. And it doesn't need experts to tell us that increased life expectancy would also mean increasing geriatric problems.

We again want to remind ourselves that our current poor yet higher life expectancy doesn't necessarily mean a longer life for individuals but that fewer infants are dying and more such are surviving — say up to childhood — mainly due to availability of tolerably good water and antiseptic agents. We have indeed a very very long way to go before achieving a civilised life expectancy ensuring child mortality nearing zero and adult life stretching to the Daghestani high points.

Climate Change: An Overview warming and climate change is not a new phenomenon. Almost a century ago, scientists began to voice fears that temperatures on our World Climate Conference. They provide the most definiplanet could begin an inexorable rise, as a result of tive assessment so far of global

warming and climate change. the increasing amounts of Greenhouse gases already fossil fuels being burned to supply energy to the expandemitted as a result of human ing industrial revolution. Even activities have committed the world to an unprecedentedly then, they warned that such a rapid warming. Earth is now warming could force irre 0.5 degrees celsius warmer versible changes to global clithan in pre-industrial times, mate. It has only been reand by the end of next century cently, however, that these we can expect it to be at least possibilities have received widespread attention - and 3 degrees warmer.

even more recently that scien-If we do not act soon to retific evidence has substantiated duce emissions, the best we can expect is that within a Global warming and the re- century, the world will be sulting climate change are now warmer than at any time since accepted as inevitable. We now the start of agricultural civiliza know that the world is comtion six thousand years ago. mitted to an unprecedented

This warming will cause vast changes in climate. The increasingly warm temperatures will stir the world's weather systems into more intense activity, bringing more savage and more frequent storms to many parts of the world, including regions which have never before experienced severe storms.

As temperatures rise, the oceans will warm and expand, causing sea levels to rise and flood many of the world's highly productive deltaic areas, including vast tracts of land in Bangladesh, Egypt, Indonesia,

China and India. The IPCC calculates that the world's oceans could rise about 20 cm by 2030, and about 65 cm by the end of next century. Some 300 Pacific atolls could disappear, and the very existence of several island nations in the Pacific and Indian oceans, and in the Caribbean is threatened.

As the seas move inland, ground water supplies in many parts of the world will become

Today, June 5, is World Environment Day. Observance of the day across the continents would express concern for the deterioration caused to environment over the decades more by human actions than by nature itself, and seek some way out from the danger it has posed for the mankind on the dear planet. With one indication this year's slogan is : Climate change — Need for global partnership.

contaminated with sea water. and previously fertile land many kilometres inland will become poisoned by the salin-

Rainfall patterns will alter as the planet warms. Some regions of the world could dry out, while others could receive too much rain, which runs off the land without soaking in, flooding rivers and plains and increasing soil erosion. Some of the world's most important food exporting nations, including the United States, Canada and France, seem likely to suffer drier soil conditions, with potentially adverse impacts on their ability to produce food for the world markets. Many developing countries may also suffer reductions in rainfall and soil moisture. Again, the result could be substantial drops in crop yields.

In addition, global warming and climate change will seriously disrupt marine ecosystems. The flooding of many of the world's coastal wetlands as the oceans rise will mean the loss of an essential nursery for many fish, shrimp and bird species. This could significantly reduce the quantities of seafood available for human consumption. This impact seems likely to hit developing countries hardest. In many of these countries, fish forms the bulk of all protein which sustains human life.

Human health may suffer as well. Warmer temperatures will allow disease-carrying insects, parasites and viruses to spread debilitating and often fatal infectious tropical discases into mid-latitude regions. Drought-induced malnutrition and famine may increase significantly in some regions.

The combination of worsening storms, rising sea levels, water shortages and crop failures could drive unprecedented number of people from their homes. By 2100 we can expect tens of millions of environmental refugees unless steps are taken to limit global warming and to prepare against its worst effects.

People can move when their environment is destroyed, but many plants and animals cannot react quickly enough. It already appears inevitable that we will lose many plant and animal species as temperatures rise. The Stockholm Environment Institute has reported that natural ecosystems can only adapt to a temperature rise of at most 0.1 degrees celsius per decade. With energy production and use increasing at its present rate, the warming we can expect is at least two or three

times greater than that.

These impacts are what we know we cannot avoid. But the predictions of likely temperature rise do not take into account the effects that may come from the extra warming and the extra quantities of greenhouse gases produced as the planet's natural systems react to the imbalance we have

The IPCC has warned that forecasts based on computer models cannot yet include many important "feedback" reactions from plants, bacteria, oceans, ice, clouds and land masses. The scientific consensus, however, is that these feedback reactions will probably increase the scale of the warming, and the severity of the impacts of climate change.

Faced with the facts of increasing greenhouse gas concentrations in the atmosphere and the growing certainty of potential climate change, the world's scientists are clear about the action needed. The IPCC has called for immediate and drastic reductions, of the

order of 60-80 per cent in carbon dioxide emissions, and a 15-20 per cent reduction in methane emissions, as well as carly implementation of the phase-out of chlorofluorocarbons, and more research into ways of reducing nitrous ox-

The Second World Climate Conference, which received the IPCC report, fine-tuned these recommendations, calling for a continuous worldwide reduction of net carbon dioxide emissions by 1-2 per cent per years, starting now, as well as a 15-20 per cent reduction in methane emissions. This scale of reductions is large, but achievable. Technically feasible and cost-effective opportunities exist which would reduce carbon dioxide emissions in all countries. These measures including increasing the efficiency of energy use and using alternative fuels and energy sources. But implementing these reductions globally demands the forging of a global partnership, to allow developing nations to play their part in slowing and then stopping global warming, and softening the coming blows of climate change.

## **OPINION**

## Water Transport and Marine Police

Bangladesh is one of the world's largest deltaic regions; and the land is only a few feet above the sea level, resulting in recurring floods. Therefore the cost of construction of roads and its maintenance is one of the highest in the world. The majority of cargo and passengers are moved within the country by water transport, in spite of the development of

the road and railway systems. Roads need embankment, which means that thousands of tons of earth have to be moved. The waiting period is two to three for the soil to settle down. We should also note that the number of bridges and culverts per running kilometre is also one of the highest in the world. Due to the monsoon and floods, the maintenance cost is prohibitive. Due to poor economy, the wheeled transport density in the national highways is uneconomical to be able to maintain the roads in grade A condition. The necessity of road network is not questioned, but it is very much necessary to examine the question of priority: the road transport or the water transport.

is the water transport sector getting step-motherly treatment in national planning ? The recurring cyclones and tidal bores apparently reveal the dire shortage of water transport at times of emergency and crisis. In the coastal areas, the water transport density is not in proportion to the heavy density of the population. It has also to be noted that the design of inland river transport and that of off-shore

transport are quite different hence these two categories of craft are not interchangeable

UNEP Release

for emergency work. We have to plan keeping in tune with nature and ecology it is a wasteful exercise to fight against nature. The recent cyclone also revealed (once again) how useful are helicopters to reach the inaccessible areas with emergency relief (for the first one week at least). It looks like that there should be a pool of helicopters

based in the coastal zone. Another deficiency which is surfacing is the lack of welldeveloped marine police network. Their speedboats could have saved many lives after a natural calamity. Marine police (or Coast Guard), working in coordination with the Navy, would also be a great deterrent to off-shore smuggling activities, which have assumed

alarming proportions.
All these proposals look nice on paper. But we have to start somewhere, possible in this order : feasibility studies, outline plan, a couple of pilot projects, lay the foundation of the expandable network (modular), and then build up the super-structure as per resources available. We are not friendless, and technical assistance in planning should be no problem (with some material

Now that we are re-evaluating the coastal shelter plans, it is the right time to look beyond into the long-term perspective models. It is inhuman to lose lives in five figures every couple of decades.

> A. Mawaz Dhaka

## How old is Priyanka?

Sir, Since the tragic assassination of Mr Rajiv Gandhi his two children - daughter Priyanka and son Rahul - have figured in a number of news items published in the newspapers including The Daily Star. In some of these items Priyanka was mentioned as 21year-old and Rahul 17.

But in Tuesday's (4.6.91) paper she was mentioned as a 19-year-old college student, and Rahul a 20-year-old brother of Priyanka.

We know for certain that Priyanka is older than Rahul. How come The Daily Star has committed this mistake? Can someone tell us the exact age of Priyanka and Rahul? Colin Smith

Baridhara, Dhaka. Phensidyl: the new

addiction Sir, I am concerned about the mass usage of Phensidyl by the teenagers and youths in Bangladesh. The product is banned in Bangladesh. Despite the ban, large quantities of Phensidyl are being smuggled

Many teenagers and youths

are 'drinking' Phensidyl as substitute to alcohol and drugs. I should point out that it has severe side effects such as brain damage, impotency, hair loss etc. I am witnessing few of my friends who are suffering from these. Some drink 2-3 bottles a day. The young generation is the hope and asset of the future. Why should they be spoiled by such a harmful and damaging product?

I want to draw the attention of the present authorities to adopt strict measures to stop the smuggling in of Phensidyl. F. Rahman

Gulshan, Dhaka. Overdue bank loans

Sir, I fail to understand what Mirza Mehdy Ispahani, Chairman, M.M. Ispahani Ltd. means by saying on the one hand 'Default takes place when the amount owed is not reimbursed to the bank in time agreed .... ' and 'Bank starts negotiating with the defaulting party...'; then on the otherhand declaring emphatically 'whilst these negotiations are taking place....the party who owes the amount is not a defaulter'. He

himself defines what

defaulter (Letter, May 22)! My question is: If not a defaulter then why the negotiation?

Mr. Ispahani's observation

faced by the asset being mortgaged in any manner, while the reverse is true of the opportunists. The bank must be free to carry out its duties. Those who borrow with the intent of defaulting (as their repayment record might reveal in direct contrast to their tax records!) must certainly be brought to task. They hurt genuine borrowers, cripple the bank and damage the health of

In 'Opinion' dated 24-5-91 Sulaiman Chaudhury of Gulshan quotes the relevant act by virtue of which the Bangladesh practically leans over backinterest in many different ways of all the individual bank offi-

A patriot, Dhaka.

'default', calls the party 'defaulting' and then pronounces: 'the party.....is not

Whenever a loanee defaults for whatever reason and the bank has failed to recover the total loan, the Bangladesh Bank is informed after a specific time has elapsed — depending on the nature of the loan: small term, long term, etc. Such a loanee is marked as 'risky ' and the information circulated to all Banks to prevent future misadventures. Mr. Ispahani's claim This matter is strictly between the lending bank and the borrower can apply only to situations where warning letters, penalty interest or negotiations do not have to be entered upon.'

that publication of a defaulter's name will cause him to be 'treated as if he is a seller in distress' making it 'unlikely' that he will 'get a fair market price for his assets' is but a naivety. Who is the person who purchases an asset without finding out facts about it or its real value. And the one who pays a reasonable price is not

the national economy.

Bank has exercised its prerogative to publicise the names of the defaulters. This sort of list goes to Bangladesh Bank only when the lending bank has no option. Perhaps he is not aware that the lending bank wards to accommodate the defaulter in every possible way because not only is the particular branch's reputation involved at the head office but also the record, reputation and cials dealing with that loance.