

A FOCUS ON JUTE SECTOR

Is 'Golden Fibre' Image Tarnished?

by Feisal Siddiqi

Two Unresolved Issues

Business circles here will welcome the assurance offered on Wednesday by the minister of planning and finance Saifur Rahman that the government proposes to set up a "practical mechanism" to recover defaulting loans advanced by various banks in the country. At the same time he indicated that a "sizeable portion" of the interest could be waived in the case of some loanees for the redress of their genuine difficulties, if any.

In the absence of a detailed policy statement on the subject it would be difficult to say to what extent the proposed concession offered by Mr. Rahman would resolve the continuing stalemate on the defaulter issue. However, the minister's statement made at a briefing meeting with the Council of Editors underscores the concern of the government to settle an issue that has caused a great deal of difficulties for a section of entrepreneurs whose names had appeared on a list of defaulters in May. Despite a number of clarifications and rejoinders issued by the parties concerned a substantial number of so called defaulters were denied further credits by their banks, which resulted in a crisis in many of their business transactions. In the middle of this deadlock, many business houses and industrial concerns, especially in the garment sector, were hit by the collapse of the Bank of Credits & Commerce International (BCCI). In the opinion of many experts these developments have brought the entire economy to a stage of near-stagnation.

It is very important for the ministry of finance and Bangladesh Bank to work out detailed guidelines for resolving the problems created by the publication of the list of defaulters. We assume that the banks concerned are in the process of reviewing the individual cases, mainly to separate wilful defaulters from those who have had genuine difficulties in meeting their financial commitments. The minister's statement made on Wednesday merely suggests that some steps are being contemplated. This assurance is good as far as it goes. What is important is to expedite the process and to announce definite specific measures, as distinct from assurances and pledges, to remedy the situation. Unless this is done the crisis of confidence that prevails within the business community will not give way to resurgence of trade and commerce which is so anxiously sought by the government.

The authorities should look at the BCCI crisis with the same sense of urgency. Here, some hopes have been raised by the report that the UAE President Sheikh Zayed Bin Sultan Al Nahyan would soon visit Bangladesh mainly to discuss bilateral relations between the two countries. However, since the Sultan owns 70 per cent of the ill-fated BCCI the visit is already being linked with efforts to revive the bank, in one form or another. The longer this institution remains in a state of suspended animation the harder it will be to maintain the confidence of the depositors which include many established business houses. It is, therefore, very important that the authorities make their moves on both the issues — one relating to the issue of defaulters and the other to BCCI — expeditiously and judiciously. Let us also hope that the forthcoming visit of the President of UAE will lead to concrete results, including a firm-time-table, on the reopening of BCCI in Bangladesh.

Renewed Hopes of Repatriation

The leader of the Pakistanis stranded in Bangladesh, Mr. Nasim Khan, on Tuesday told a press conference that Prime Minister Nawaz Sharif had told him categorically that Pakistan will start taking back Mr. Khan's hapless flock before the current year is out. To make the said assurance by the Pakistan Prime Minister more convincing Mr. Khan cited certain recent actions taken by Mr. Sharif one of which was to accept the chairmanship of Rabita-al-Alam-al-Islami, the organisation volunteering to undertake the repatriation of the stranded ones. We are not sure as to who Mr. Khan was convincing — the journalists attending his conference or himself and his people or both. But we want to hang our best hopes on the slim chance that he wasn't bluffing about Mr. Nawaz Sharif telling him his true intentions.

The question of the stranded Pakistanis form the worst of the many issues outstanding between our two states if only because it directly and very adversely affects a mass of people. This stands positively in the way of wiping off bitter memories and start a new chapter in good-neighbourly relationship between our two peoples. If loyalty is not a two-way traffic between Pakistan and its stranded citizens, that should be Pakistan's problem to mend. And Pakistan has for the last two decades been less than understanding with regard to this. The result has been abject suffering for tens of thousands of people including children and women and a ludicrous and intolerable situation of a state compelled to harbour a pocket of population that not only rejects the state and its entire people but also hates them in the bargain.

There have been assurances coming from heads of state and government of Pakistan under every succeeding regime regarding the repatriation of the stranded ones. The presence here of this hostile pocket of people so different in every aspect from the native population, serves only to keep the scars of '71 raw which cannot in any way be congenial to a true normalisation of our ties with Pakistan. We are as such one with Mr. Nasim Khan and his people in praying that Mr. Sharif Nawaz's assurances show concrete result without adding more years to the ones already lost in suffering by the stranded unfortunate and, we must allow it, patriotic Pakistani nationals.

WITH the jute goods manufacturing sector awash in losses and on the brink of collapse, it is high time to re-assess the once proud position held by the "golden fibre" in the national psyche. In 72-73 fiscal year (FY) raw jute and jute goods accounted for a full 90% of Bangladesh's export earnings, while by 1990-91, this dominant position had considerably declined, exports from the sector accounting for 23% of total exports. This is, however, a misleading figure if we analyse the leading export category, readymade garments (RMG), more closely. Against the Tk 2537 crore total export of RMG, there is a huge import of Tk 1900 crore worth of raw materials and accessories, so that the "net export" or actual value added figure is only Tk. 637 crore. Since the other major exports like leather, frozen foods and tea, are like jute, almost 100% net exports, we can handily deflate the total exports by the extent of the adjustment in the RMG sector to see what the underlying position really is. The adjusted net export figure therefore comes to about Tk 4000 crore, of which the golden fibre still contributes a hefty 35%, by far the highest share.

In other words, jute continues to contribute to export earnings in a substantial way. But at what cost? Staggering figures of jute goods manufacturing sector losses since 1972 (liberation) are presented every now and then. To put the matter in perspective, export earnings from the mills sector have been about Tk 8000 crore from July 1982 to June 1991, while losses have been about Tk 1850 crore. We are therefore talking about a 23% loss on the export figure of Tk 8000 crore. However, there is no doubt that the Bangladesh Taka is persistently kept overvalued for the Dollar undervalued for a number of reasons. If we assume that the extent of overvaluation has been at least 23%, then the jute mills sector has not

been losing at all from the macro-economic viewpoint. The losses then merely represent the cost to the jute mills sector of the deliberate Government policy of overvaluation of our currency, which should naturally be borne by the government itself, or better still, by the direct beneficiaries of overvaluation.

If we accept this argument, then it will be foolhardy to talk about closing the mills since the economy would be discarding productive and actually profitable capacity which only appears to be loss making — a typical example of the wrong

drawn and the industry was nationalized, along with many other poor policies in virtually every sector. The whole economy, including jute, rotted. BJMC accumulated large losses by 1982, when parts of it were denationalized. The denationalized jute mills, however, failed to escape the debilitating stamp of BJMC — consisting of huge financial liabilities, overmanning, entrenched unions, and of course the usual public sector malaise. Add to this the fact that the private sector mills had in

subsidy/incentive of 15% (through a bonus voucher type system) on top of the substantial devaluation — highlighting the Indian Government's genuine commitment to exports against our rather indifferent attitude, which obscures the fact that we actually suffer from a greater foreign trade imbalance. India has been a mass of controls, perhaps more so than Bangladesh, but is now embracing the market mechanism with gusto. Indeed, through these reforms, even its

behind this facade is much more devastating than we can imagine. Bangladesh has not faced a foreign exchange crisis (thereby creating pressure for devaluation of the Taka) for two main factors: 1) We are too impoverished and stagnant an economy to generate greater import demand in the desired areas — a problem India does not suffer from, despite even more restrictive import regulations. 2) We have been living on the begging bowl for so long to pay for our imports (even today our import bills are twice our export earnings), that we now take it

check being provided simply by the higher cost of imports.

Jute Mills Sector
Apart from the substantial devaluation proposed, the jute mills sector would need the following complementary actions for long term health and prosperity: 1) All operating losses up to June 1991 which have accumulated on the books as liabilities of the jute sector (and owing their origin to overvaluation of the Taka, as explained earlier) should be written off in one bold stroke. The government can account for this in a number of ways; the guiding principle is that these losses are unrecoverable and may be treated as unpaid export incentives. 2) BJMC can only continue to be a drag on the whole sector; it should therefore cease to exist by being broken up into its constituent parts, which in turn could be floated on the stock market as public limited companies. 3) Finally, it should be made clear that there would be no further government involvement in the jute mills sector in any form — all individual companies would have to sink or swim on their own.

There are no genuinely good reasons not to implement the above policies, but plenty of poorly thought out ones. The results should be obvious — the entire jute sector will be revitalized, with equally beneficial effects on the economy as a whole. The political boost for the current government will be significant, and it can certainly implement the programme by the end of this calendar year if it really means business. Our country does not have the luxury of taking its time over these decisions — what it must do, it must do quickly. Jute can certainly be the golden (and environmentally sound) fibre once again and hopefully within an equally resurgent 'Golden Bangladesh'.

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The denationalised jute mills failed to escape the debilitating stamp of BJMC. Add to this the fact that the private sector mills had in reality very little flexibility to deviate from the BJMC norms in virtually all matters, — and we can understand why the entire jute sector continued as a sickly step-sister in a weak economy.

signals resulting from a distortion of market price. By reducing jute capacity, Bangladesh will simply end up exporting more raw jute to other countries who will take up the manufacturing slack. Our ingrained common sense tells us that there is something wrong with this scenario, and a little bit of history supports this gut reaction.

What's Wrong, Where

In 1947, most of the jute mills were in West Bengal while East Pakistan grew most of the jute. Instead of being content with exporting raw jute, the then Pakistan Government opted for large scale investment in the jute goods manufacturing sector, boosting both employment and hard currency earnings. Recognising the true scarcity value of hard currency, or the hidden overvaluation of the (Pakistani) Rupee (whichever way one would like to look at it), the Pakistan Government introduced the bonus voucher system for the jute industry in January 1959, which yielded an effective export incentive of 63%!

Immediately after liberation, this scheme was with-

reality very little flexibility to deviate from the BJMC norms in virtually all matters (due to union intransigence and continuous government interference for political reasons), and we can understand why the entire jute sector continued as a sickly step-sister in a weak economy. In fact, due to poor analysis and policy making, the entire export sector is getting a step-sisterly treatment.

So what is the answer? Well, we needn't look very far for it. One glance over our shoulders at our giant neighbour can teach us a lot. India, though belatedly, has been forced to address the folly of its own ways and has simply decided to adjust the exchange rate of its Rupee closer to its so-called "shadow" rate (or "real" free-market rate), thereby attempting to reduce/remove the distorting effects of an artificially pegged price. At the same time, other government interventions, which in essence partially compensated exporters for the overvalued Rupee, have simultaneously been reduced/removed. Interestingly enough though, the jute mill sector in India now enjoys an effective

moribund jute sector has been given a new lease of life for a fresh assault on world markets, of course to our detriment.

Taka and Indian Rupee vis-a-vis US Dollar

With the Indian Rupee at about Rs 26 to the dollar, what possible justification can there be for the Taka to be stronger than Tk 50 to the dollar (i.e. Tk 1.92 to the Indian Rupee)? In fact Tk 2.00 to the Indian Rupee would seem to be more appropriate as a benchmark figure to be closely adhered to, certainly for the good of the jute sector if not for everything else. As recently as 1988, the Indian Rupee was at Tk 2.40. Nobody in his/her right mind would claim that the performance of the Bangladesh economy can in any way compare with that of the Indian economy, so what is the explanation for the Taka being allowed to gain so dramatically against the Rupee since 1988?

On the face of it, the explanation appears to be obvious — India is suffering from a severe foreign exchange crunch which we are not. The reality

as part of our usual income and not something to be got rid of as soon as possible.

Given this harsh reality, it would be a simple and completely logical action to devalue our currency to Tk 50 per dollar, simultaneously reducing/removing special export incentives and subsidies, and reducing import stage duties and taxes to the extent necessary to maintain the landed cost of imports at existing levels. The macro-economic impact on the trade sector would be as follows: 1) There would be an across-the-board boost for the export sector, reducing to a minimum the need for additional government intervention/involvement in the market mechanism, there by avoiding the ill effects which inevitably follow distortions in market prices.

In the jute sector itself, the practice of differential incentives/subsidies for the different types of jute products could be completely done away with, as it is an obviously inefficient mechanism. 2) Demands for lower import duties/taxes would automatically be met. Imports could be further liberalized — an effective

Great Moments in Our History

by Obaidul Huq

SINCE the historic mass movement of 1990 the country has moved from one grand success to another. The passage of the Twelfth Constitutional Amendment Bill, for instance, is a historic legislative step towards the country's transition to parliamentary form of government.

The unanimity displayed in dealing with the question is clearly reflected in the fact that the Bill was passed without any dissent or division. Nor was there any abstention. August 6, on which the Jatiya Sangsad passed the Bill, can therefore, claim to be yet another day to remember.

It even provided an occasion for public celebration. Processions were brought out by cheering crowds chanting slogans hailing the process of return to parliamentary democracy as a triumph of the people's will and a turning point in the history of the nation which for the most part was a history of autocratic misrule. The unopposed passage of the Bill in favour of parliamentary form of government can

justifiably be said to mark the beginning of the politics of tolerance and pragmatism.

There evidently are two faces of democracy — the presidential system and the parliamentary system. A mixed type is dismissed by most political scientists and constitutional experts as a hybrid of no consequence. In many countries like ours, presidential system of government tended to take the form of one-man rule. Even in a so-called democratic dispensation with predetermined election results and no real accountability to the people who are reduced to a mass of faceless and rightless humanity, a President could seldom resist the propensity to exercise absolute power and turn the country into a sort of personal fiefdom. Perhaps, this is why the Presidential system, in spite of its being a democratic one has been voted against unanimously by the Members of Parliaments.

What happened in the Jatiya Sangsad on August 6 this year was a rare phenomenon, an event of good omen, a great moment in our history. The consensus was unprecedented. It was a House united and no division for counting of votes

The amendment question has been referred to the direct vote of the citizens or voters. It will be part of the constitution and become law only after it has been approved by the people in the coming referendum.

was necessary. In this voting none lost and the nation won. When it came to the question of upholding the national cause the government and the opposition could rise above party considerations and become ayes. All the MPs embracing one another and exchanging bouquets presented a spectacle which was not only rare but

almost unbelievable. It is reasonably expected that in future too this history will repeat itself and the same spirit of co-operation and consensus will be extended to other areas of public interest and national concern. What

Constitution and become law only after it has been approved by the people in the coming referendum. It is expected that the people will turn out in large numbers to express their opinion on the question of the form of government. They are the final authority to decide in this regard and they will, no doubt, assert their ultimate right and authority not only to choose the form of government but also to say how the government will rule. They are expected to be aware (if necessary they should be made

aware) that by their participation in the referendum they can institutionalize and stabilize democracy and at the same time retain their own control and authority to create governments and decide how much state authority the governments should be vested with. The idea of setting limits on the use of state power is to ensure that the government will rule in the name of its makers, that is, the people. September 15, like August 6, will also be a memorable day in the political history of Bangladesh as the people on this day will act as final arbiter in making a choice on the form of government that will suit them.

To the Editor...

Letters for publication in these columns should be addressed to the Editor and legibly written or typed with double space. For reasons of space, short letters are preferred, and all are subject to editing and cuts. Pseudonyms are accepted. However, all communications must bear the writer's real name, signature and address.

Lucky ones

Sir, Opportunity like OP-1 comes as blessing to an LDC like Bangladesh that won about one fourth the allotted 20,000 special visas worldwide.

In contrast to the recent restrictions on immigration imposed by a number of European states, OP-1 was a dream-come-true to the winners among the millions of fortune-seekers, although the purpose or justification of such an offer is thought-provoking, while thousands of illegal immigrants (mostly Latin American) increase USA's population every day.

USA — 4th most populous state on earth — is characterized by "Home for homeless", "Land of opportunities", "Country of rich and famous", and so forth, and the images of "Slaves' country" and "Racist society" have been transformed into cross-cultural habitat.

since the government did not guarantee employments to those special visa holders. Complaints are already afloat regarding the lucky ones' adjustment difficulties in their dreamland.

Now that the OP-1 program is complete in Bangladesh, the disappointed Bangladeshis who are desperate to go abroad have to console themselves with the realities of life or must look on the bright side, or are going to look forward to another opportunity.

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Quail, not Quelle

Sir, Regarding the letter published in your newspaper on Sept 1, written by Munira Khan, titled "Save the singing bird", I would like to make few points clear about the subject matter which it seems to me that she does not know what she is talking about. As such she may be giving wrong information arising out of her ignorance, and even the spelling of that particular bird is wrong — the right spelling should be Quail, but she wrote Quelle, which may mean completely two different birds, — which means her thoughts are mixed up and she has

mistaken Quail with cuckoo. The following information about the bird Quail whose eggs and meat are being sold in the market should clear up the mess.

Normally its a desert dwelling bird found in the Middle-Eastern deserts, Iran, desert of Sind in Pakistan, in the mountains of Afghanistan etc. In Pakistan, it is known as Bader. And in the far northern districts of Bangladesh and in parts of Chittagong Hill Tracts a certain variety of quails is found locally known as "Vaduri". Now, the quails in question that are being farmed in many parts of the world including Bangladesh, are known as "Japanese quails", as Japan was the country to do research on the wild variety and develop it into its present farm variety.

It's a unique bird — it has the shortest incubation period (15 days) among all birds, it starts laying eggs at the age of only six weeks, and a female quail can lay upto 300 plus eggs a year.

There are huge quail farms in Europe, USA and even in India. I myself visited one quail farm in Germany where the number of birds were two million and one in USA consisting of 20 million birds. This is the present situation how quails are being farmed these days. In Bangladesh quails are being farmed in a tiny farm in Savar. By the way, these quails, specially the female ones do sing but they are not famous for that.

The present stock that are being farmed in Bangladesh were imported from USA. It is some thing new to the Bangladesh food list and those

who tasted this delicacy are getting very fond of it; those who did not as yet, should try it immediately.

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Extortion

Sir, Our attention has been drawn to a news item published in almost all the leading dailies of August 31 on snatching of about Taka 50,000.00 or so from the office of a cinema-hall in Tikatulya area of the city by a group of youths belonging to a club in the area.

The business houses in and around Motijheel on that day had a similar experience. A group of youths visited commercial offices for extortion in the name of subscription or donation for the club. Their proposal was very simple, either agree to their claim on the spot or a visit to their club for 'settlement' in the matter.

The 5th Jatiya Sangsad in its first session passed a bill to make extortion a punishable offence. But the law enforcing agencies seem to be least bothered. As we know, one of our senior ministers is probably the president of this club and a state minister, its patron. We wonder, if such extortions have been sanctioned by the club authorities and management.

As a democratically elected government is now in power and it's ministers' names are related with the club in question, they owe an explanation to the general public in the matter.

Antis Ahmed,
16 Motijheel, Dhaka.

OPINION Academic Knowledge and User Requirements

A. Mawaz

The feature on technical education, 'Urban Bias in Technical Education Should Go' by M A Sattar (Star, Aug 24), is timely for the new policy makers. There are a few more areas which need attention.

With the cessation of World War II, after a short recession for rehabilitation, the world has been moving fast. Electronics developed rapidly, breaking down the communication barriers. The Age of Information was ushered in, disturbing all niches of disciplines. The academicians have now to keep pace with new disciplines. In industry, a close tab has to be kept on the new technologies, emerging so rapidly.

The output from the academic institutions are utilized by the users in various fields. The users of trained and skilled personnel have their own requirements. Therefore it is very much necessary to be aware of these ever-changing user requirements, and be in tune with it, otherwise those passing out find difficulty in fitting in (square pegs in round holes).

This shortcoming is rather invisible, even to the candidates who are entering their professional fields. It is likely to be missed by the academicians, unless there are proven feedback mechanisms to keep in tune with the user requirements.

Are such mechanisms satisfactory in our country, at all levels of education, (say, vocational education, to cite one example)? It means constant monitoring of the existing syllabi, to maintain it up-to-date. It also means close co-ordination with the users, so that the latter are satisfied with the output from the educational institutions.

The issue might look de-

ceptively simple, but unfortunately, it is not. There are many gaps. It is the job of the specialists on both sides to bridge these gaps. There are two circles, the academic, and the users'. These circles should ideally overlap, as is the case in the industrialized or developed countries. In the Third World, there are mainly two situations; the two circles are separated (do not even touch in some cases), or overlap a little. It is fairly good if the overlapping is 50 per cent, but the target should be around 75 to 80 per cent; the rest being made up from in-house or on-the-job training. To reach this figure is a formidable task.

These are several ways in which the users can co-operate with the teaching staff (and/or vice versa); at the syllabus-making stage; at the setting of the question papers; and as external examiners for the practical tests. The outsiders see the tip of the iceberg in the exercise known as visits by the students to the industrial units or establishments. The existence of Review and Co-ordination Panels at top level might be helpful.

We are weak in applied and localized R & D. The industrialized countries would not do that for us. And we have no R & D for application in the rural areas, or in the cottage and indigenous industries. Some of these activities might fall outside the purview of academic education, but there should be no water-tight compartments in transitional exercises.

For boosting export of finished goods, good design and finish depend on the background of the new entrants, which at present is practically zero.

It is a long road ahead in updating education.