

Let Government Do Less to Do More

On with Our Stock Exchange

The chairman of Dhaka Stock Exchange (DSE) went public with his complaints the other day about the delay in finalising procedure for foreign investment in our stock market. The delay, it has been alleged, is not due to any lack of policy initiative on the part of the government but because of the failure of the concerned authorities to frame detailed instruction. It has been stated that the delay may cause us to lose investors from Japan, Australia, Holland, Hong Kong and the USA.

Given the current state of our economy, many of our policy makers may not be aware as to the key role that stock exchanges (SE) play in market-oriented economies. As in the market place goods and services are bought and sold, so also the performances of the companies in the SE. It means that when an enterprise performs well, individuals and institutions express their confidence by buying shares in that company. It is through an active SE that enterprises are able to prove to the public who are performing better. In time the price of stocks in the SE becomes the best measure of sorting out efficient companies from the others, which helps to channel resources where it is used most efficiently. Through the SE companies are able to raise funds for expansion or new investments and more importantly, small time savers are able to put their money into productive use.

In a weak economy like ours, where the national saving is very low, we must do everything to encourage institutions like the SE. So that people with very small savings feel encouraged to invest their money to buy stocks and by receiving dividends and through capital appreciation on their investment realise the benefit of putting their money to such use. A flourishing SE is a feature of developed capitalist economy. However, for beginners like us, we need to make a start in this direction, for SE has proved to be one of the most effective ways of attracting domestic savings as well as foreign investment.

We strongly urge immediate action on the part of the concerned authorities to complete all formalities. We must remember that investment — both domestic and foreign — is a matter of confidence and it has a very strong demonstrative effect. If Japan, Australia, Holland, Hong Kong and the USA invest in our SE, in however limited a scale, this fact alone will add greatly to our capacity to attract more investment from the same countries as well as from others.

For us to be able to do so we must set up an SE which is above reproach. Public faith is the key to attract large scale participants in the stock and securities market. To ensure it we must look into the possibility of setting up some sort of regulatory body — like the securities and Exchange Commission of the USA or some such body — which will act as a watchdog body. All parties concerned, not only the brokers or shareholders, should participate in it.

Shall We Give Up Chandpur?

Shall we give up Chandpur? The great riverport has for long been pecked at by all three of the great rivers of the land. It has also been mauled from time to time, great chunks of it going into the eddying and swirling waters. But it survived possibly because of the strength it derives from the fact of being the biggest hilsa centre of the nation. Now, from the middle of September the Meghna has been particularly ferocious threatening to devour the new railway station, the launch terminal and the steamer ghat in one good gulp. The town protection embankment has been breached at several points and as a result half of the old railway station and almost the whole of the hilsa market has already been engulfed.

There are other recent developments all of which do not project any easy way out for Chandpur — away from an inexorable effacement from the face of the earth.

Boulders and cement cubes and sacks dropped to stop the marauding waters have largely been washed away by the recent sudden surge in the normal monsoon current, owing no doubt to the unusual swelling of all of the rivers coming across the borders, namely the Padma, the Brahmaputra, Teesta and Meghna. The Purnan Bazar Girls' High School, a very old temple and offices and godowns of some thirty business firms were eaten up by the waters in a matter of two days.

There was no question about our giving up the town over a long period of time — not deliberately but through half-hearted and at times incompetent and even dishonest action. Now the question is: are we going to give in finally? Are we being forced to it or are we not just being serious enough in the matter of keeping it?

If the price of keeping it far exceeds the value of what may be possible to keep with a whole-hearted effort, weeping sentimentally over some acres of land could be foolish. But it is rather a difficult operation to calculate the value of attachment and historicity. The temple has perhaps very little of so-called worldly value. And by the same token the playgrounds on which the youthful years of generations have been very lovingly passed or the avenues of trees and some wooded retreats of the town may be things not to be fought for spending hundreds of crores of taka. But it is all a question of values with a capital 'V' and not just money. What counts is what the Chandporeans themselves invest their town with in terms of love and nostalgia and as a living support to their lives. Or more plainly, are Chandporeans a thriving society or a dying one in spite of the easy hilsa money transforming itself into high-rise buildings on firmer grounds safely away from the shores?

The Chandpur question should be one of hard reckoning on the national plain. It may be that in spite of putting so much value on the human association factor — the town doesn't become worth the money it would cost to keep it. Then we should be ready to chuck it off with a firm decision. And more, with a firm plan to build it anew in a more planned and fetching manner. And if we want to keep it, let us keep it meaningfully by grappling the challenges with all the resolve and might the nation can muster. Now is the time to say 'no' to the ways of the yester years. Let Chandpur be our turning point for all of similar problems.

ALL over the world, governments of all types and colour are withdrawing from the market place in particular and the economy in general. There must not be any doubt that the government ought to be the main promoter of development. But we often miss the forest because of the trees. In order to promote economic development, government becomes directly the trader, the manufacturer and even the farmer (state farms). The results have been mushrooming number of state sector corporations who instead of stimulating or contributing to economic growth, become veritable monsters eating into the economic vitals through budget subsidies. So long they exist, the economy of Bangladesh would in all probability, remain least developed.

The drastic remarks can be well justified by stating some unpleasant (to say the least) facts. The Bangladesh Power Development Board is so inefficient that it loses over 40 per cent of the energy generated by burning our precious reserves of natural gas and fuel imported by spending precious foreign exchange earned by the sweat and blood of our workers toiling in the heat and sand of the Middle-East.

In spite of being the major producer of jute, state-run jute mills run at a loss. Buses sold as condemned vehicles by BRTC are put back to the road and they make money for the private operators. Telecommunication is big

business elsewhere in the world. No question of making money, telephones do not work properly in our country. In case of Bangladesh Machine Tool Factory, the value of its output is marginal compared to the millions of dollars worth of machineries and equipment installed. Such examples can be quoted times without number. In fact, profit making government enterprises are the exception. Government management means loss. But how long such losses can be sustained? Who will subsidize whom? The growing anachronism must end.

The retreat of the public sector has already started with a bang. In the post ideological world of glasnost and perestroika, there seemed to be a virtual competition among the nation-states to cut down the number of state enterprises to the minimum. There is a growing feeling that in doing less, government can do more. In the Asian continent, it is now well recognized that countries depending more on private initiatives and the free play of market forces have performed much better than countries with greater reliance on the state sector.

In doing less, how can the government do more? It is simple. Consider, for example, that of the total assets of the industrial — including manufacturing — sector as well as the formal service sector covering in particular transport, telecommunication etc., the largest part is owned and operated by the government

through state economic enterprises. But the tragedy is that the sum total of their contribution to economic growth tends to be negative. If substantial part of the electricity generated is lost in the distribution system, then the economy of Bangladesh can only slide backward ever after. It is difficult, if not impossible to proceed forward at a snail's pace.

So let the government do less. Let it not distribute electricity, operate the telephone system, the railways, buses, ports or the national airline.

ing less in order to do more must not only involve privatization of the state enterprises — it must proceed further in decontrolling development. Broadly speaking, there are two aspects to the retreat of the public sector: (i) the number of government controls must be reduced to the minimum; and, (ii) the execution of the minimum controls that remain should be as simple as possible.

Government means control. Any activity which has development implication require government authorization of

the government particularly those relating to activities which are of a commercial nature should be dispensed with and given over to the private sector. But where is the private sector? One can argue that it is too small and inexperienced to deal with large public enterprises.

Herein lies the rationale of the agrarian reform proposal which not only involves restructuring of agriculture but the public sector industries as well as government utilities which have been proposed to be privatized against land owned by non-cultivating rural households from where the future entrepreneurs in thousands should emerge.

Once the thinning down of the governmental functions have taken place, private management and initiatives would assume the dominant role. In such a context, reorientation of the bureaucracy is bound to take place. With reduced number of government officials and elimination of large government subsidies, better pay and allowances for the bureaucracy should be feasible. Corruption should be automatically minimized if not eliminated improving the quality of public service. Efficient and responsive bureaucracy can then be expected.

The real decontrolling of the government would come about through market liberalization. Let supply and demand determine prices — neither subsidy nor regulations have a place in rational economic

policies. No doubt government cannot afford to be a captive of the market forces for essential commodities, rice and wheat in particular. That is correct. But why the price of rice should increase? To put it simply, if there is not enough supply. So government must maintain a buffer stock to augment supplies when necessary — not try to enforce price control through rationing. It can also influence the demand for rice by increasing availability of wheat — a close substitute. It is a simplified example to bring home the point that price control is not the solution; influencing the demand and supply is the effective answer carried out through the market — not beyond it.

Thus let government do less in order to do more for economic growth. In fact one may argue that buffer stocks of essential foodgrains may not be required in a regime of free trade and unhindered market. If the export sector is growing rapidly, if there are increasing flows of foreign investment and of earnings of Bangladeshis abroad, free trade cannot be a distant reality. Stocks would then be automatically built-up by the traders and given free competition, retail price at Dhaka new market cannot be vastly different from the price of the same variety of rice in Klong Toi Market of Bangkok.

Let government do less so that it can do more — this is the underlying rationale for decontrolling development.

From LDC to NIC by Shahed Latif

Before these utilities, however, the engineering, chemical, textile, jute, sugar, food and other industries owned and operated by government must all be privatized.

In the previous issues, I have suggested the link-up between such privatization and agrarian reform. Since it is quite clear that by doing less government can do more, let it abandon its role as the trader manufacturer, miner or transporter. Let the government govern through promotion of private enterprises, entrepreneurship and innovation. In the process, we can bring about agrarian reform without which we cannot move beyond the present dismal stage of marginal per capita income growth.

But in its role as a promoter of privatism, the process of do-

ing less in order to do more must not only involve privatization of the state enterprises — it must proceed further in decontrolling development. Broadly speaking, there are two aspects to the retreat of the public sector: (i) the number of government controls must be reduced to the minimum; and, (ii) the execution of the minimum controls that remain should be as simple as possible.

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De Klerk Faces the Gorbachev Dilemma

by Keith Somerville

One of the loudest sighs of relief at the return of Mikhail Gorbachev to the Kremlin may well have come from F W de Klerk, who sees himself as a South African version of the Soviet leader. The two Presidents have much in common, not least reform efforts that have been dogged by criticism from both sides. They also share a motivation to create a new society that keeps themselves in top spot.



GORBACHEV AND DE KLERK
Birds of a feather?

THE fall and return of Mikhail Gorbachev has been watched closely throughout Africa, but nowhere more avidly than in Pretoria. Initial reactions in South Africa to the apparent success of the takeover bid were cautious in the extreme. The best the normally ebullient Foreign Minister Pik Botha could do was to emphasise that the new regime under Gennady Yanayev had promised to meet all its international commitments.

But the de Klerk government was clearly relieved when the whole affair was over and Gorbachev was back in the Kremlin.

There are a number of reasons. One is that F W de Klerk appears to see himself as a South African version of Gorbachev. While the roots of their problems are vastly different, there are parallels in attempts in both countries to build new political and social structures and to fight off the old guard.

Both de Klerk and Gorbachev took over from old, fossilised party and government leaders. P W Botha was still alive while Konstantin Chernenko was dead, but P W was politically dead and the political philosophy and style of government he represented was as outdated as Chernenko's.

Both new leaders lost little time in clearing out much of the dead wood in their governments and rejecting old political dogmas. And both were quick to see the importance of gaining international support for their reform efforts.

It could also be said that both had double agendas. While no doubt sincere in wanting an end to their respective forms of rigid control over freedom of speech and political activity, they were equally sure that

their new order would leave them at the top, ruling on behalf of revitalised and thoroughly modern parties.

For de Klerk, that meant a new multiracial National Party (but one with Afrikaners still in control), and for Gorbachev a broadened, more pragmatic Communist Party (even if under a different name), but one still controlled by a nucleus of new, Gorbachev-style communists.

In trying to come to grips with the problems of reform, de Klerk and Gorbachev had to combat both right and left.

After a brief honeymoon period, de Klerk found himself more in contention with Nelson Mandela and the ANC

than in co-operation with them, while on the right there were the Conservatives and the extreme right AWB.

After expelling Boris Yeltsin from his leadership group, Gorbachev often found himself pitted against his former ally, and even more so against the new republican leaders in the Baltic and Caucasian states (Estonia, Latvia, Lithuania, Georgia and Armenia). Hardliners such as Ligachev and, later, Pavlov and Yanayev were the Soviet leader's equivalents of the Afrikaner right.

Gorbachev's need to appease the hardliners, while trying to push ahead political and economic reform and to please his international audi-

ence, led him to the brink of disaster.

He had been unable, or unwilling, to combat the influence of the hardliners within the party, the state structure, the KGB or the military. They remained in power and largely free of presidential control.

Many analysts believe that it was part of Gorbachev's double agenda to forge ahead with plans for political, economic and constitutional reform, while retaining in existence the old style instruments of state control in the KGB and the armed forces.

Some sceptics, such as Professor John Erickson, of Glasgow University, a leading specialist on the Soviet security forces and military, believe we have not yet even scratched the surface of the KGB and military role in this whole affair.

Gorbachev may have needed an unstructured KGB just in case reforms threatened to reform him and the pragmatic socialists out of power.

The unwillingness of the military to storm the Russian parliament and the ambiguous position of the KGB seem to have played as important a role as the steadfastness of Yeltsin and his Russian supporters in frustrating the hardliners.

It may also have been the case that many hardliners knew they did not want the Union Treaty signed by Gorbachev and the Republics, but that they did not know what to do once Gorbachev was

under wraps.

F W de Klerk appears to know where he is going, even if his double agenda means going for reform as long as it preserves white domination under an alternative guise. But, like Gorbachev, he has not been able or willing to gain control over the police, the security services and army.

His rather clever demotion of right-wing ministers after the 'Inkathagate affair' was a superficial measure to limit the political damage.

The police continue to act as a maverick and independent political force, openly favouring Inkatha and treating the ANC (as it has been trained to do for 30 years) as the enemy.

The armed forces, and particularly military intelligence, go their own way. So far de Klerk has tolerated this, perhaps because the anti-ANC bias of the security forces has served to weaken the ANC during the townships war with Inkatha.

Until Inkathagate, de Klerk was able to distance himself and his government from that war while benefiting from the political problems it caused for the ANC.

Now, as with Gorbachev during his recent period of closer relations with the reactionaries in the party, de Klerk's domestic and international image may be damaged if he takes more resolute action to appear even-handed.

Gorbachev was nearly overthrown by a combination of

anachronistic politicians, Machiavellian KGB leaders and military heads who feared for their power and position in a decentralised and reformed Soviet Union. Now he and Yeltsin must grasp the nettle and uproot those power bases.

F W de Klerk must do the same. He has retained within his cabinet the 'securocrats' of the P W Botha era — the equivalents of the coup leaders in the Soviet Union.

This group, which includes Finance Minister Barend du Plessis, Adriaan Vlok, Magnus Malan, new Law and Order Minister Hensius Kriel, plus senior commanders of the South African Defence Force and the police command structure, has not been seriously diminished in power.

Just like the Soviet coup makers, they probably have no clear, alternative agenda to de Klerk's, but they do have the power to frustrate reform and even, in circumstances of increased conflict between the National Party and the far right and continuing fighting in the townships, to act to end the whole de Klerk experiment.

If de Klerk is as serious about reform and truly democratic government as he claims, then he must drop his double agenda, as Gorbachev will now be forced to do, and establish a power base that does not continue to rely on the temporary and unpredictable support of the securocrats who underpinned P W Botha's state of emergency.

Gorbachev's attempts to have a foot in both camps nearly tore him apart. It could do the same to F W de Klerk and South Africa. — GEMINI NEWS

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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.

"Save Suu Kyi"

Sir, With much appreciation I warmly thank Mr Ahmad Mujtahid for the article 'They want to kill Suu' published in your Aug 26 issue.

I am not the right person to answer his question, 'Should we not be ashamed of our failure?' to respond to the political situation of Burma. Nevertheless, please allow me to express some of my opinion.

We have our praise and appreciation to the people of Bangladesh and its leaders including students for their valiant struggle for self-determination leading to freedom in 1971. And also in recent past, in 1990, the people of Bangladesh and its political leaders including student bodies have proved their dynamic ability and resolute commitment in their arduous movement to topple the autocratic rule and restore demo-

cratic norms as institutional order within a short span of time.

But, contrarily we feel sorry that it is very hard to understand why even most of the leading figures in political circle and media would give no concern and care about Burma. We need more and stronger international awareness and action for the release of such popular political leader as Aung San Suu Kyi and other political prisoners. Brutal oppression which has been set at large by the junta actually is getting worse at the remote parts of the country such as the inaccessible border areas.

As far as the Bangladesh students are concerned we are grateful that the Dhaka University Central Students Union (DUCSU) brought out two demonstrations in support of Burmese Students in 1988. I believe APSU (All Party Student Unity), now, is in bet-

ter position to morally help their Burmese counterparts who are keeping up with their struggle for democracy even though they are inside the jails and jungles of Burma.

We understand that it will be a very difficult position for such a neighbour like Bangladesh to let itself directly involve in Burma's political affairs. Burma is the third country, after India and USSR, to recognize the independence of Bangladesh. We sincerely do not want to undermine friendly relationship between our countries.

Nevertheless, we firmly believe that there are various ways and means to do for those struggling people of Burma, at least from humanitarian ground with the help and coordination of UN agencies and NGOs.

A dissident from Burma

Public confidence

Sir, A report in a vernacular daily on Friday says that an eight-day baby-in-arm was killed when a BDR personnel forcefully kicked its mother, a train passenger, at Mymensingh railway station.

The story says, when the 7-up Bahadurabad train arrived at

Mymensingh station the BDR personnel (name was stated as Soleman) called out one Channia who didn't respond.

Then the BDR personnel got into the train compartment and reportedly beat Channia to the extreme. At one stage Channia's sister-in-law Shahida who was holding her baby in her arms desperately tried to rescue him but the BDR personnel held her by neck and kicked at. Under the impact of the blow the baby fell on the floor and died instantaneously. The report did not mention what enraged the BDR personnel so much or whether he had any conflict with Channia.

The story is captioned 'Piteous'. It appears more than that. A BDR personnel is a member of law enforcement authorities. Under no circumstances he is supposed to take the law in his own hand or perpetrate an act of inhumanity. What impression such incidents leave in the public mind? Whither security! The police are reported to have been investigating. But the report did not say whether Soleman was arrested. Public confidence in police is not rising either.

The government must set some examples of providing

justice by keeping the public informed of such investigations, trials and punishments to bring back their confidence in its security arms what is most needed for a nation which is embarking upon a new phase of administration, development and welfare.

Vox populi

BTV publicity

Sir, Having seen some 'Gono Vote Natok & Campaign' on BTV, I had to reach the conclusion that the publicity authority consider our unlettered people as guinea-pigs for their experiments.

I would like to recall here some dialogue — 'Ek Sarder Thekey Panch Sarder Ki Bhalo No?' As I was listening to this dialogue, I remembered the past Zemindari Protha. In those days, Zemindars used to act as local governments. One Zeminder would never cause any loss to the interest and power of another. As a result, poor peasants and others could never establish their just rights. Hence, we cannot definitely say or recommend that five sardars in place of one would be better for us. In fact, the main aim of the publicity was to motivate people to par-

ticipate in the referendum by casting their votes on either motion, without any influence or biasness.

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Video image

Sir, The 4th prize won by Bangladesh at Contest '91 held in Netherlands recently has elevated this nation's pride. Contest '91 provided a marvelous opportunity to project video-cultural development and Bangladesh video did it with distinction that impressed the ethnic world.

Competing in the Contest '91 was a smart move this LDC made with a view to keeping up with the global videomania. After such a recognition, dependence on alien resources and ethno-cultural values has to be diminished while improving and maximizing use of domestic resources must be addressed for a modern Bangladesh outlook of international parallel especially in video world.

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