

Decontrolling Counter-development

Deadlock over BCCI

A lack of sense of urgency which characterises the government's response to many, if not most, of our pressing national issues, often compounded by a distortion of its priorities, provides a major factor in the deepening stalemate over the fate of the Bangladesh operation of the Bank of Credit and Commerce International (BCCI). A report, published in this paper on Friday, has focused on various aspects of uncertainties surrounding the bank that was shut down over eight months ago as well as on developments, both positive and negative, which have been reported from other parts of the world. For instance, if the stage seems set for the take-over of the BCCI in Hong Kong by an Indonesian banking group, a complex legal battle may well be in offing in the United Kingdom, probably the last recourse left for frustrated Asian depositors of the suspended institution.

All this does not mean that the authorities here have so far done nothing to address the problems caused by the closure of the BCCI operation in Bangladesh. Under a reasonably effective mechanism set up by the central bank, as much as 70 crore Taka have been disbursed as "advances" by the Agrani Bank to depositors of BCCI, thus providing considerable relief to holders of local currency and foreign exchange accounts. Unfortunately, some technical difficulties remain with regard to Letters of Credit (LCs) which, once opened by importers with BCCI, are now to be handled by the Agrani Bank.

With the introduction of these welcome measures, the authorities — the Ministry of Finance and the Bangladesh Bank — earned the necessary breathing time.

During the same period, hopes were raised by a trip of Foreign Minister A S M Mostafizur Rahman to the United Arab Emirates (UAE) that a team from the Abu Dhabi headquarters of BCCI would visit Dhaka to discuss the various options for salvaging the ill-fated bank.

There is nothing to suggest that the visit of the UAE team has been called off and that the authorities have pushed the whole issue under the carpet. It is just possible that to avoid raising undue expectations among the public, the normally cagey Bangladesh Bank would not reveal its options. However, the Ministry of Finance which should deal with public issues as openly as possible, bringing in a measure of long-awaited transparency to its policies, occupies a different kind of position on this matter. Being accountable to the public, like other ministries, it should indeed make some visible efforts towards resolving the crisis. Several options suggested by local banking circles, ranging from the setting up of a consortium of leading public sector institutions in a salvage bid to the merger of BCCI with a single nationalised bank, deserve careful attention by the authorities concerned. There may even be better solutions. What is important, the government should move fast in dealing with a situation that, despite its international ramifications, has assumed strong local dimensions adversely affecting the economy of Bangladesh. In more ways than one, the first democratically-elected government in a decade is faced with a major test for its credibility and effectiveness in resolving a specific financial crisis. We don't want the government to fail in the test.

Laudable Move by UK

British Prime Minister John Major's initiative to provide extra debt relief to the world's poorest countries is a laudable and a welcome move.

It is a timely initiative and one that indicates that Britain is becoming aware that genuine assistance to the developing world must include some sort of solution to the debt problem which is eating away at the very core of the development efforts of the LDCs. What he has offered is to implement the terms agreed at an earlier Commonwealth meeting at Trinidad and Tobago, held last September — popularly called the Trinidad Terms. Under it the following benefits were provided for the poorest countries: doubling the debt write-off element from one third to two thirds; lengthening the period of repayment from 14 years to 25 years and an initial five year period when the interest would be capitalised. In concrete terms the debt relief formula unilaterally declared by Mr Major in the 50-Nation Commonwealth Summit last Friday would amount to US\$ 775 million and would benefit mainly Zambia, Tanzania and Guyana.

More than the immediate relief in money terms Mr Major's initiative leads the way in a vital area where the developing countries are looking for imaginative and bold leadership by the rich countries. So far there are no takers of this initiative. Australia promised to look into it while Canada committed to follow suit. Mr Major's target was to convince the Paris Club — a group of about 20 creditor countries and institutions — to accept the Trinidad Terms which would benefit about 20 LDCs. It is expected that Mr Major would push for the acceptance of his proposal in the next week's meeting of the Paris Club. There his hands are likely to be strengthened by France which has already taken a similar initiative by writing off its debts.

Debt relief has become the central question for most developing countries. No long term solution to the poverty problem of the developing world can be solved without a break-through in the debt question.

The Trinidad Terms do not provide a solution to this problem. Nor is a step like that taken by Britain adequate to resolve this complex and debilitating phenomena. But the British Premier's plan is a significant one to the extent that it gives renewed reason for hope that leading industrialised countries are seriously concerned about the debt problem. The British initiative gives a clear signal that at least some countries are willing to do more than giving a mere lip service to this issue.

We hope that the lead taken by UK will soon be emulated by others and the initiative will find powerful backers.

In Bangladesh, it may be cheaper to import machineries and equipment instead of local manufacturing not because the cost of production is high but the imports are duty free while imported steel for domestic machinery manufacturing are heavily taxed. In case of stainless steel, tax rates are particularly high but several machinery items for food processing industries are fabricated from such high quality steel. Thus there is built-in bias in favour of imported capital equipment.

Tax authorities would argue that stainless steel can be used not only for machineries but luxury products like expensive household fittings may also be fabricated which should be taxed.

The potential for expanding agro-processing industries or use of agricultural machineries is substantial in Bangladesh but its further linkage to machinery manufacturing industries would remain restricted unless fiscal anomalies are removed.

And not only capital equipment, it is true for domestically produced foods as well. Take for example liquid milk, where the plastic packaging materials are heavily taxed while milk powder is imported entirely tax free. In fact the biggest obstacle to the growth of the dairy industry is the free flow of cheap milk powder.

Perhaps the most classic example is that of imported foodgrains. If we achieve self-sufficiency in rice and wheat production then without food aid, no counterpart cash would be generated to support the budget. There is no built-in mechanism to compensate for the loss of public revenue due to our enhanced food output. We are dependent on food aid and the system is such that the dependency should be sustained. No government in Bangladesh would tolerate an abnormal rise in the prices of basic food items. The govern-

ment also needs the revenue in order to finance the development programme. At the same time agricultural production cannot increase in a regime of depressed prices.

Bans, Restrictions

The public sector sugar industry in Bangladesh is supported by banning gur-making within the vicinity of the sugar mills. If the farmers can make more money by producing gur instead of supplying canes to the mills, why shouldn't they be allowed to do so. There has been a bumper potato crop last winter but the existing cold storage capacity is extremely inadequate. Prices have consequently collapsed. At the same time no particular fiscal incentives are provided for additional investment in cold storage plants. Also the insulation materials required for the cold stores are taxed. The growth of the domestic construction industry has been severely handicapped by forcing the construction steel industry to buy expensive billets produced by the Chittagong Steel Mill. It is unbelievable that the earlier government banned the use of natural gas in the brick fields and encouraged consumption of imported coal.

Not only brick fields, we can run our buses, trucks, launches and trains by natural gas in the compressed form called CNG. But we don't prefer to use diesel oil refined from imported crude petroleum. In this connection, mention may be made of the recent controversy relating to the retail price of diesel oil. If the government is not in a position to restore the pre-gulf crisis price then it could offer the alternative fuel at the desirable price which is domestically produced, environmentally clean and has no chance of being smuggled out of the country.

Fiscal Anomaly

Of all the instances cited above, fiscal anomalies are the

biggest source of counter-development. The national taxation system must be responsive to growth. It must at all times induce investment and facilitate increased production. But in the pursuit of revenue generation the fiscal system thwarts development and the very tax base is thus not allowed to grow. Also in case of direct taxation, the income tax rates at very high income brackets constitute over 90 per cent of the taxable income. The very incentive to enhance income is thereby lost. Not only that, the system generates novel means to evade taxation. As for example, agricultural income is not taxed. It may be worthwhile for a businessman

to increase in the prices of construction materials in particular, increase beyond expectation. Hence the original financial projection get vitiated. Unlike the light at the end of the tunnel, the investor sees no profit at the end of the investment period. No body knows what will happen after five years. So why bother. Money should better be kept in the bank. It is sure to earn interest. Hence we have thousands of crores as fixed deposits in the banks, or so much of investment in luxury housing. At least one can enjoy the good living in the expensive suburbs and regularly draw on the interest income from the banks to meet the rising cost of living.

interest rate structure must be made more realistic but more important is to cut down the preferential access to industrial loans by the spurious businessmen whose intention is not to set up an industry but to gobble up the cash funds. This could best be done by cutting down the gestation period of the industrial projects so that entrepreneurs can expect profit within a year to 18 months. Fulfilling the short run profit expectation is the key to our future industrialization.

But how this could be done? Let us set up a factory development company, with Government as the minority shareholder, equity participation from abroad (for example, International Finance Corporation, Asian Development Bank, etc.) and by the large established business houses of the country. Purpose of the company would be to lease out completed factory buildings to intending users, just like residential buildings with all utilities provided, including telephone connections. Provision can also be made for long-term hire-purchase. The ready-made factory buildings, with electricity, gas, water and telephone facilities would not only save a great deal of time for the private investor but cost escalation would be avoided and the entrepreneur can immediately set about to procure the machineries install them and start with trial production. From a three to five years period, profit expectation can be reduced to less than a year.

day one at his factory premise or even before, contact these companies and work out the details of his investment plan with a view to not only minimize his financial liability but cut down the corresponding need for cash borrowing which unfortunately hardly gets repaid in Bangladesh. The arrangements or facilities as suggested would attract the genuine entrepreneurs and not the Robber-Barons out for a quick gain, using connections at the top. Instead of cash investment loan the entrepreneur is provided with ready-made factory buildings, machineries and equipment. These are what he needs and he will have in a cost-effective manner.

Between the factory development company and the machinery supplying firms stands the third set of proposal to initiate industrial design and engineering consultancy firms who will supply the know-how, engineering design, process technology and management plans for the small and medium scale industrial development. In Bangladesh, there are potential entrepreneurs who could mobilize from five to thirty lakh taka as equity investment. If they can be effectively assisted with the know-how, that is sound investment advice, factory building and machineries through hire-purchase and leasing arrangements, then investment loans (not working capital) are no longer necessary. At the same time, the disastrous role of the spurious industrialists who were responsible in the past for the waste of vital development resources would be avoided.

Decontrolling counter-development is basically reversal of the traditional government policies and practices. A total reconsideration is necessary. The suggestions given here could be made feasible provided our intentions are noble and the means are genuine.

From LDC to NIC by Shahed Latif

to buy land, keep it fallow and show the property as his source of income to avoid taxes. This is counter-development, par excellence!

Leaving aside the fiscal issues, our monetary policy is also fraught with the adverse symptoms of counter-development. Export of jute and jute goods have suffered in the past and is still suffering due to over-valued exchange rates. The loss to the industry on this account would exceed the total arrear outstanding against the industry.

An interest rate of 18 per cent compounded monthly is charged for industrial investment loan. No sensible venture can pay for such high cost of borrowing. The taka value of foreign exchange loans have increased further due to successive exchange rate depreciation. Even if there are no borrowings involved, the cost of land and of construction materials plus the hazards and delays in securing electricity, telephone, water and gas connections would deter the most adventurous to take fresh ini-

Primary Task

Decontrolling counter-development is the primary task of the present government, so that a vigorous industrialisation momentum is generated in the country. First, the fiscal anomalies that deter local manufacturing and encourage imports must be removed. The

Leasing/Hire-Purchase Company

The second proposal is for setting up of a machinery leasing, hire-purchase company and also encourage foreign machinery manufactures to set up such local hire-purchase and leasing companies. Thus the entrepreneur from

Battle Lines Set on South Africa Constitution

John Periman writes from Johannesburg

Against the backdrop of continued fighting between Inkatha and African National Congress supporters in South Africa, the debate over a new constitutional structure is heating up. President F W de Klerk has unveiled his proposal — one-person one-vote elections with a tangled network of second houses and local government structures that critics charge would allow whites to thwart a new black government.

It was an appropriate week for the National Party (NP) to announce new constitutional proposals. It was, after all, the 25th anniversary of the assassination of Hendrik Verwoerd, the South African prime minister whose notions of "grand apartheid" represented the apex of NP attempts rigidly to separate black and white.

The proposals call for a one-person one-vote election for a lower house, but give the upper house a veto that could effectively allow whites to block the path of a new black government.

Even as President F W de Klerk was leaving NP delegates with one last rousing speech, the African National Congress was already ripping into the proposals, calling them measures which would deny a future government the power to "truly liberate the country from the misery that apartheid has wrought."

The ANC said the proposals were "no less than an attempt to disguise an effective minority veto, designed to prevent effective government by a majority party. To ensure checks and balances, they propose mechanisms that will be unique to South Africa, ensuring that whites retain the accumulated privileges of apartheid under the guise of constitutional principle."

In the City Hall in Johannesburg, where leading cabinet ministers announced the constitutional package for the first time by presenting it to a federal Congress of the party, one or two signs of the old days were still in evidence.

Booksellers in the foyer offered copies of the Collected Speeches of B J Vorster, the man who succeeded Verwoerd and followed very much in his footsteps. And at the start of the meeting, the delegates sang Afrikaans songs about the Volk, one of them to the tune



of Deutschland Uber Alles. But for all that the National Party had a familiar look about it — the delegates were overwhelmingly white and mostly Afrikaner, despite the presence of 35 mixed-race MPs who have recently joined up — the proposal did contain a number of important departures.

For a start, the framework does allow for a one-person one-vote election based on proportional representation for a national parliament. There is no mention of race not even couched in phrases of "group rights" which have peppered NP ideology in the

past. There is also provision to divide the country into nine regions for the purpose of state-level government, which in effect will see an end to the ethnically-separate homelands that were the cornerstone of Verwoerd's political thinking.

This greater inclusiveness was emphasised by State President F W de Klerk in his speech at the start of the congress. "At grassroots level the National Party enjoys considerable support among black South Africans and majority support among all other population groups," he said. "The National Party has therefore become the political mouthpiece of millions of South Africans who underwrite the values, principles and objectives of our African Plan."

Bold words, then, and on the face of it, some bold moves away from the past.

But the criticisms levelled at the proposals have all come down to the same point: while the NP plan allows for an unrestricted election to single parliament, it also contains a maze of checks by which the winner of that election could be prevented from exercising effective power.

The plan provides for a second house, which can initiate laws of its own and, more importantly, block legislation proposed by the first house.

All parties which gain "a significant amount of support" in the elections for regional authorities will be allocated an equal number of seats in the

second house. In other words, a party with 17 per cent of the vote will have the same representation as a party with 70 per cent.

Thus, the right-wing Conservative Party could have as many seats in this house as the ANC. And an alliance of the NP and the Inkatha Freedom Party, for instance, could block any moves by the ANC — even if the NP-Inkatha combined total of votes was smaller than the ANC's.

There is also a constitutional requirement that the presidency and the cabinet be shared between all parties with significant support. The presidency will consist of the leaders of the three largest parties, which will then appoint ministers to a multi-party cabinet.

In terms of local government, there will be significant devolution of powers to each of the nine regions and to the local level, where property owners will have an additional vote.

Residents of particular neighbourhoods may also elect a neighbourhood council, which may be entrusted with autonomous power over matters such as "norms and standards," education and welfare, and security of civil protection.

The NP proposals, accepted unanimously by the congress delegates — who had been briefed on them beforehand anyway — were immediately lambasted from left and right.

De Klerk said there was "no fat" in the proposals that could easily be given away around the

negotiating table, that it was bottom-line policy for his party, whose more conservative members will have been reassured by that. Similarly, ANC rejection of the NP document has been uncompromising.

The NP, through this document, is seeking to signal to more conservative black political groups, like the Inkatha Freedom Party and various homeland leaders, the shape of possible alliance politics in a future South Africa.

Most of the blocking mechanisms, such as the multi-party cabinet and the rotating presidency, could only really be brought into play if the NP had the backing of groups like Inkatha, and vice-versa. It also indicates that an ANC majority could not be kept in check without NP backing.

Some black politicians will back the proposals. It should not be assumed that the only people who see themselves as minorities in need of protection are white. But as negotiations stand at present some convergence will be needed between the NP proposals and those of the African National Congress, whose rejection cannot simply be discounted as political point-scoring.

In some areas the ANC would probably be prepared to compromise eventually, although by its fierce response it has to some extent committed itself to fight the NP plan.

The ANC is not opposed to a second house elected on a regional basis, but objects to its having the power to block

legislation. It should, instead, be elected proportional to the popular strength of each party.

The ANC also objects to the enforced sharing of the presidency and the cabinet, and to the weighting of local votes in favour of property owners. Similarly, it sees neighbourhood councils as an attempt to protect pockets of privilege.

None of these differences is irreconcilable, even if the outraged response from the right — the CP called the proposals a "recipe for revolution" — will make the NP wary of weakening the powers protecting minorities. At present, talks are likely to focus on the sudden upsurge in violence in the Transvaal and on the difficulties of putting a national peace plan in place.

But when negotiations do get down to looking for common constitutional ground, the way in which the talks table has been set will count for as much as the details of each side's proposals.

The fact is that the NP presented its plan in a confident mood, not so much suggesting it believes it could go it alone, but that it could put together an alliance that would give the ANC a run for its money at the polls.

Right or not, it is those perceptions, which both sides will bring to the table, that will affect who is prepared to give ground and how much. At the moment you have two sides insisting that their views command the support of the majority.

The only way to test that is in an election. With disagreement over the rules of that contest, polling day at present seems a long way off for 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.

Too many ministers

Sir, Contrary to the continuous call for austerity, the country is again having a mega-Cabinet, with 22 full Ministers — including the Prime Minister, 15 Ministers of State and 3 Deputy Ministers. At a time of acute financial stress a large Cabinet will enhance Government spending for little or no necessity and it is apprehended, the expanded and increasingly larger set up is likely to create more problems for the country than solve.

There had long been talks of curtailing excessive public spending and the present

democratically elected Government, too, is promise-bound to offer the nation an administration that would produce more, spend less. In fact, today's is the Government franchised to power for broadly three objectives viz democratization, privatization and national integration. Out of those three objectives privatization, being the cardinal economic concept, calls for, among other things, less Government spending.

It is widely believed that a democracy demands the sprawling bureaucracy to be put under affordable size. A new Ministry means a new set

of establishment requiring a Secretary to the Government followed by a complete Ministerial team of officials. It is debatable whether economic stringencies permits Bangladesh to maintain 40 Ministers. President George Bush has a cabinet of only 21 Ministers (this includes White House Chief of Staff, Director of Management and Budget, National Security Advisor and the Attorney General). Britain has usually a cabinet of 20. Only John Major is making it 22, of course, including himself. India now has a 20-member Union cabinet — including the Prime Minister, Ministers of State and Deputy Ministers — in a large country like India — together make it only 58. Compared to Bangladesh, India does not only have a small union set up, but at the same time, has before it a ocean of problems managed by such a small pool of Ministerial establishment. Again it is highly unlikely

that an expanded Cabinet would put lighter burden of responsibilities on to the Prime Minister. There may be fresh recruits to whom a Ministerial responsibility may be taken as a free ride. There may be lack of expertise, experience and command over the bureaucratic machinery. Apprenticeship in politics may or may not produce any back gear thrust. But in Government — a person to decide and to negate should be endowed with the qualities of leadership. There is no room for experiment. The less the number of the ruler, the better it is for the ruled.

Khondoker Hasnat Karim
Dhaka

Assault

Sir, We are greatly shocked to learn that some miscreants had recently assaulted the Chief Scientific Officer of

Ishwardi Agricultural Research Centre. The scientists of Bangladesh Agricultural Research Institute, Gazipur have observed a whole-day work abstention on October 10 in protest against the assault. The BARI scientists demanded punishment to those involved in the attack and handed over a memo to the DC, Gazipur.

We in BAI strongly condemn the incident and demand immediate punishment to the culprits. We request the democratic government to set up an enquiry committee to investigate into the incident.

M Zahidul Haque
Assistant Professor,
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Institute, Dhaka-1207.

Football and BTV

Sir, Football is the most popular game in our country. BTV so far has endeavoured to telecast live many a big tour-

namment event to the pleasure of the millions of football fans. Even they managed to show glimpses of such events, after news, which they couldn't telecast direct at the time of the play.

But this time BTV has deprived us very much by not telecasting the encounter of the giants — Mohammedan Abahani — on 16 October. Neither they cared to show the glimpses of the utter frustration of the fans. It appears unlikely of BTV which did not fail on such occasions earlier!

Should the BTV authorities revert to their earlier praiseworthy practice of coverage, it is better.

Raju Ahmed
Azad Hossain
Fakirpool, Dhaka