The Daily Star

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Testing Time for India

It will take time, may be anything from weeks to months, for the Indian economy to absorb the shock of radical reforms proposed in the country's budget by Finance Minister Manmohon Singh last week. However, all the early signs indicate that India has started reaping benefits, nationally and internationally, from the dramatic switch to privatisation that touches virtually all the major sectors, ranging from industries to currency control. True, the stock market remains jittery and the Voluntary Retirement Scheme, otherwise known as the "golden handshake", offered to employees in state-owned sick industries may still place a heavier financial burden on the government than anticipated by Dr Singh. But the Finance Minister has announced that the country was already "out of danger" on its foreign debt, currently estimated at 75 billion dollar, in so far as New Delhi can now honour all its repayment without seeking rescheduling. At the same time, Dr Singh is optimistic that the Indian rupee which has not made a nosedive in its value, following the decision to make it largely convertible, can be progressively freed from all forms of exchange control.

As expected, the private sector in India has given the budget its warmest possible welcome, in sharp contrast to the political opposition mounted by leftist parties which regard the wide-ranging reforms as a sell-out to capitalism. For India's minority government, the real support comes from outside, from the industrialised West and Japan which are all set to invest heavily in the world's most populous democracy, and, what's more, from the World Bank (WB) and the International Monetary Fund (IMF). How much these two organisations and donor nations knew of the contents of the budget before it was unveiled at the parliament remains a matter of speculation. Obviously, the Indian Finance Minister had to offer his government's acceptance of the so-called conditionalities, well in advance, before he worked out the details of the reforms. In this sense, Dr Singh was in no more comfortable position than his counterpart in any other developing country, including Bangladesh, whose dependence on external assistance goes on increasing year after year.

While one may regret that a country like India, with a vast potentially resourceful economy of its own, must work under such enormous pressure from outside, the government of Narasimha Rao has certainly taken a bold position in putting his country's economy on the road to resurgence. Having learnt the bitter lesson that half-hearted adhoc reforms introduced by the previous administration of late Rajiv Gandhi had failed to pro-duce much results and that the country was now faced with the worst economic crisis since its independence in 1947, the government was left with no choice but to go virtually all the way in dismantling the old structure, and creating a new one.

The proposed new structure, based on market economy, inflow of massive foreign investment, abolition of currency control and tax cuts, will not come into shape in a matter of months or perhaps even years. It is the period of transition— perhaps a long one— that causes concern to policy-makers in New Delhi, knowing as they do that a rise in industrial unemployment or the government's failure to bring down the rate of inflation from its current 12 per cent will further aggravate the Prime Minister Rao's political problems. Again, the expected flow of foreign investment and the establishment of joint ventures must be matched by an improvement in local management techniques, increase in the productivity of the average Indian worker and reduction of corruption in high places.

Dr Singh has set the course— a new one— for the Indian economy knowing full well that the country must face up to many new challenges. Herein lies the boldness of the Finance Minister. Herein also lies the hope for India.

A Better Deal for Women

What a few women garment workers began this day 135 years ago in Chicago through their historic protest against inhuman working conditions has by now turned into a strong movement in favour of women's rights. But the journey has been long and arduous for the women to earn today's status. As late as 1910 at the Second International held in Copenhagen could the women manage to declare March 8 as the International Women's Day. Since then women the world over have been observing the day with due fervour.

Yet not since the UN declaration of the UN Covenant on Human Rights in 1948, did the women come to be recognised internationally as equal partners of men. It has, though, remained mostly on papers as yet for the obtaining situation in many countries, particularly of the Third World, is diametrically opposed to the declared goal to be achieved. Even the declaration of the UN Decade for Women from 1975 to 1985 could not make much of a headway in furthering women's cause. For the majority of women in the Third World, the Convention for Elimination of all Discrimination against Women as declared then and ratified by may states, including Bangladesh-has not simply brought any significant change in their fate.

Against such a backdrop, the Women's International Day this year gives enough cause for women the world over, and particularly in Bangladesh, to take a look at the movement they have been carrying on and, if necessary, make some readjustment in their strategies. Until now, that process has been confined to the urban women so far as the theoretical part of it is concerned. In the poor and illiterate of the rural society women have, of necessity, broken some of the barriers and taboos only to find themselves shackled by the male members of their families.

The important point, therefore, is that the women from village and city meet at a point and work out a pragmatic plan to effectively strike a parity with their male counterparts.

SOUTH KOREA AND BANGLADESH

What Happened in Reverse Directions — What Should Follow Next

From LDC to NIC by Shahed Latif

MR Chung Ju-Yung, founder of South Korea's Hyundai Group rose from an impoverished rural childhood to the pinnacle of business success. His personal wealth is now estimated at four to five billion dollars. A grab-bag of 41 companies ranging from auto-making, construction, electronics and general trading to heavy machinery and ship-building, the Hyundai Group last year posted an annual turnover of 48 billion dollars, two and a half times more than the GDP of Bangladesh, including about eight billion dollars in exports.

Hyundai, Daewoo, Goldstar, Samsung are four household words in Korea who starting from scratch and over a period of just 20 years have become giant corporate bodies and at the same time developed Korea into the model newly industrialising country. It has been a tremendous achievement and in terms of the momentum and speed of development, it has no parallel in history: two hundred years of western industrial growth was simply collapsed into two to three decades.

It was possible not only because the founders of these conglomerates and their associates were extremely capable people but equally significant has been the massive government support that they received. Government borrowed heavily from the international money markets and relent to these corporations often with heavy doses of subsidies; offered totally protected markets, sought raw materials and export opportunities on their behalf. In a nutshell, they were nurtured virtually in the state incubators and their phenomenal growth was deliberately promoted by the government.

Equally, if not more important have been the efficiency, hard-work, discipline and technical competence of the Korean workers. They were prepared to learn fast, work long hours at low wages and possessed unquestioned loyalty to the company they worked for, even though they were all privately owned. A classic case of capitalist exploitation no doubt, but Marx is dead for quite some time now and for reasons very well known to Messrs. Gorbachev, Yeltsin et. al., the law of increasing pauperisation did not work in South Korea. Instead, dramatic growth and productivity gains within practically two decades transformed the nation of backward peasants into a prosperous industrial country.

We Remain Where We Were

What happened in Bangladesh in the meantime? Hardly anything; we remained where we were. Although I wish to stress that our beginning in 1972 was strikingly similar to Korea in late 1950's in certain structural aspects. With the major industries abandoned by the Pakistani owners, government went in for all out nationalisation regardless of who owned what. The result was the creation of a few fairly large corporate bodies in the field of Jute manufacturing, textiles, chemicals, engineering and ship-building, food processing, petroleum, minerals etc. These corporations, it was contemplated, would become the engines of growth and bring about the rapid industrial transformation of the country. BCIC or the BESC could have been the Bangladeshi equivalent of Hyundai or Daewoo conglomerates of Korea. In fact the sector corporations of Bangladesh had a much better beginning: their initial capital base, their assets, skill and organisation were enormously more than what Hyundai or Daewoo had at their formative stages of growth. For Korea, it was a beginning from the scratch. For Bangladesh, the springboard to jump onto the growth path was already laid out. We had a head start.

The striking structural affinities however had a very conspicuous difference. State owned enterprises cannot be dynamic. Working 9 to 5 in the Motijheel office only gives rise to stagnation. The vital profit incentives were lacking. On the other hand, private dynamism in Korea acted like a fission process and as a result, growth in manufacturing was simply explosive. Bangladesh and Korea went in opposite directions: we went tumbling down while Korea shot ahead at double digit rates of growth of the entire economy.

It is therefore strongly argued that instead of nationalisation and creation of large corporate bodies in the public sector if privatization and strong business development were promoted right from the very inception of Bangladesh, the agonizing reality of development in the reverse direction could have been avoided. This is a continuing debate in Bangladesh and all major discussions on development including the recent forum on LDC to NIC organised by The Daily Star end up with the inevitable return to the past and hence nothing conclusive for the future. Exactly two decades have passed since the enactment of the Nationalisation Order of 1972 and it has now lost its validity. The public sector today is clearly on the retreat. The government is relentlessly pursuing the policy of privatisation, decontrol and market liberalisation. Yet the debate continues, simply because we are extremely fond of talking. The tempest in a tea cup induces the desired excitement in our dull middle class existence.

Private Entrepreneurship

Clearly, private entrepreneur-ship was throttled during the critical infancy period of Bangladesh. The policies were reversed after 1975 but private dynamism is yet to return. We have so far witnessed the daylight robbery of the new indigenous robber barons but not the rapid expansion of the manufacturing industries all along the Dhaka-Chittagong highway. The simple explanation in terms of pro-public sector or pro-private sector policies of the government are not adequate. We must probe further, deep into the Bengali psyche, predilections and short-term expectations.

After the downfall of the Ershad regime, I asked a riskshaw puller about his feelings on the political changes. He thought for a while and replied, "Sahib, we have changed the driver number of times; did not work, the engine needs to be change." The hardworking riskshaw puller in simple but extremely vivid terms directly identified the nerve centre of the crisis in Bangladesh today. The change of guards at Bangabhaban is not the major issue that we face. Neither the World Bank/IMF prescription of market friendly policies would suffice. Much more fundamental issues are at stake which are one hundred per cent Bangladeshi in all respect and must therefore be resolved by us alone.

The nation being prone to disasters, we have developed very short run expectations. Poverty is rampant and it is so widespread that we cannot think everybody will survive. Hence if one has to prosper, others must suffer. "It is unfortunate but what can I do," the lucky few would say. Many are convinced that fortune must be sought elsewhere and as a consequence, our citizens turn up as illegal immigrants practically all over the world. It is amazing but true that Bangladeshis own land in Paraguay, might be working as cooks and waiters in the only hotel at Timbaktu. Being poor, competing with other poors, we have become loners. Our trust in group efforts - organised sustained work together by many for the common good tends to be extremely weak.

Given these prevailing conditions, the centre-piece of development must be the family. It is the family work, gains exclusively for the family, that must be cherished. Secondly, the returns to the family should accrue quickly. The rewards for the family efforts must not be delayed by more than one year, if not few months only. Beyond family our faith in others tend to falter. Wage labour is bound to be less efficient than the family labour.

Small Enterprise : Family Labour

Like small family farms in agriculture, similar small scale enterprises largely manned by family labour, both male and female, with very few hired hands is the ideal to promote the growth of the manufacturing sector of the country. Such small scale enterprises engaged in spinning of yearn, weaving of cloth, finishing of textiles, making of garments, knitwear, embroidered cloth, lack-making and printing of textile designs - all in the textile industry category — can bring about revolutionary changes at the door step of the million strong weavers of Bangladesh. Similar quantum jumps in terms of modernisation is feasible for the potters of Bangladesh, the blacksmiths, the carpenters, goldsmiths, brass and metal workers. Not only that, new types of enterprises for the manufacture of plastic goods, leather products, glass, metal alloys, gemstone cutting and polishing can be promoted. Modern software industry is amenable to such small scale operations; so is the case with data processing, printing, publication and varieties of handcrafted luxury products. Careful identification, selection and adaptation to small scale but labour intensive production process followed by intensive training and skill development are what should be the priority development project of the country.

By industrialisation we automatically look for large factories employing hundreds of workers since this had been the pattern elsewhere in the world. No doubt such large factories must be set up in Bangladesh but the reluctance of the investors to come forward with large volumes of investable funds are all too apparent in the country today. Instead and if feasible, many such loss making industries should be divided into several or many small-scale family enterprises. The idea of integrated textile mills or large machine tool factories are necessary no doubt but their promotion at the desired scale within the particular development context of Bangladesh is difficult if not impossible to foresee at present.

Let us put our trust and confidence in 'small is beautiful'. Imagine a million such small-scale manufacturing establishments employing 10 to 20 persons, mostly drawn from the one million owner families: among others, it would rapidly spread a new industrial culture on top of our essentially rural background. A new style of work and business would emerge. Above all, the constraints of poverty and backwardness would be broken once for all.

The next phase of industrial consolidation would then become feasible when larger scale, more capital as well as technology intensive production would slowly become the dominant pattern of industrialisation.

Bangladesh and Korea proceeded so far along reverse directions. It need not be so any longer but the growth path to be followed might be entirely different. No two countries are the same. Structurally the same industry would considerably vary from country to country.

GATT : Countdown to Oblivion ? —II

"The Magic of the Marketplace "—Ignoble Propaganda

by Frederick F Clairmonte

ON all occasions the Reagan/Bush ideological engineers have invoked the nirvana of 'the magic of the market place', a phrase with a noble doctrinal lineage but, abstracted from a specific historical context, it becomes an ignoble propagandistic outburst.

It has little in common with that legendary battle-cry made in 1846 by that passionate free-trader John Cobden: 'Jesus Christ is free trade. Free trade is Jesus Christ.' It mirrored the burning faith of an ascendant capitalist class at a specific and relatively competitive phase in capitalism's history. A phase that has vanished, destroyed by the very dynamics of capital accumulation and the massive aggregations of concentrated economic power. To clamour for 'the magic of the market place' or any of its current marketable euphemisms is thus an act of obscenity.

By the end of 1990, the sum total of agricultural supports in the OECD economies leaped by 12 per cent to a record 300 billion dollars. The producer subsidy equivalent (PSE), a measure of total subsidies paid to farmers, rose by 16 per cent to 176 billion dollars, 44 per cent of the value of the crops and livestock produced. In per capita allocations the US spends 22,000 dollars per full-time farmer in yearly production subsidies — outstripping Japan (15,000 dollars) and the EC (12,000 dollars).

The beneficiaries of this largesse go to a minuscule number of big producers. Of the 9.3 billion dollars that the US spent on price supports for grain, rice and cotton growers in 1990, about two-fifths went to 5 per cent of farms whose revenues exceeded 250,000 dollars. Since one good turn deserves another, the lobbies of the big farmers bankroll lavishly the Congress politicos.

Protectionism

As in agriculture, OECD protectionism of industry in 1990 approximated 290 billion dollars that adds to about 600 billion dollars. With this kind of protection money where is the market place? Given the magnitude of these sums comparison with Third World primary and non-primary commodity exports becomes invidious. It is to this group of afflicted peoples that the US/EC duo are brazenly preaching in the Round the necessity for 'negotiating flexibility'.

Negotiations on the Multi-Fibre Negotiations are deadlocked. World exports of clothing (104 billion dollars) equalled that of the textiles for the first time in 1990. The MFA which governs the 208 billion-dollar trade was designed to give the advanced capitalist economics a breathing space to adjust to Third World competition. That was 30 years ago. What the MFA has done is to push Third World exporters into what promises to be a permanent straitjacket of bilaterally negotiated import quotas.

Removal of this anomaly is a central goal of Third World producers. Negotiations are stalled on the mode of dismantlement of the MFA: the duration of the phase-out period, the products to be covered, and the growth percentages to be covered by quotas. There is little hope that 'market access' will be achieved by groups of countries and then applied across the board under GATT's non-discriminating Most Favoured Nation (MFN) principle.

In 1990, Bush vetoed the Textile Bill designed to seal off the US textile market from international competition. In the meantime, competition has intensified and the US textile deficit has climbed to around 30 billion dollars in 1991. At that time, both Houses of Congress were close to a two-thirds majority necessary to overthrow the veto. In the run-up to an election year, combined with wholesale job liquidations and closures of textile/clothing plants, any attempt by Bush in 1992 to repeat his 1990 performance would be politically self-destructive. Times have changed, as a textile-bankrolled Congressman reminded his audience. Which simply means that politicians are expendable, but the power and money of the Congressional textile lobby is flourishing.

> **Several Third World participants were saying openly much the same thing. What's the point of the Round if there is no market access for Third World exports? No doubt a vital issue but it is only a single issue relating to the North-South confrontation which is not within GATT's perimeter, engineered as it is to retain the structures of power and privilege.**

Tariffication

Although agriculture embraces only 13 per cent of world merchandise trade it is a vital sector given the large number of countries that depend on agricultural exports and its employment impact. Even on the questionable assumption that some kind of frantic last minute agreement can be stitched together on terms defined by the two major antagonists, it would not eliminate the anti-dumping policies which are another variant of protectionism operating under the guise of fair trade.

The US which fathered the concept of 'tariffication' (under which trade barriers are replaced by customs duties which are then progressively reduced) has run up against fierce opposition not only in Japan and South Korea but others as well. The concept and its implementation is unacceptable to Japan for political reasons. With over half of Japan's electoral constituencies in rural or semi-rural areas the Liberal Democratic Party has so far rejected the idea. Abolition of import restrictions would spell bankruptcy for more than half of the nation's 1.8 million rice farms.

Suggestive of the pressures and counter-pressures within the Round is that Japan's Finance Ministry reminded Australia (chairman of the Cairns Group) that it would not be wise to push too openly for 'tariffication' as this could be prejudicial to Japanese investments in Australia. At a time when Australia is mired in one of its worst recorded recessions the point was understood. Likewise, given the political brazier that is Canadian agriculture and the fear of a march on Ottawa the Federal government is bent on preserving the supply management system for farm products.

Tariffication may be construed as a minor issue but through its prism one perceives its other linkages and impacts. Canada's resistance to tariffication, for example, stems not only from the pitiable state of the national economy manifested in productivity falling from an average of 2 per cent yearly in the 1960s, to 0.7 per cent in the 1970s and to less than 0.2 per cent in the 1980s.

What the war over 'tariffication' highlighted is the antagonistic relationships within and between all the major regional groups descriptive of Thomas Hobbes (1588-1679) *omnium bellum contra omnes*, a situation exacerbated by the persistence of economic crisis. From the very onset of the Round there has been the endemic fear that the US/EC were attempting to strike a deal behind the backs of the CG, and then present the outcome of their deal as a fait accompli.

Vague Generalities

As a Cairns spokesman observed, the only thing we learn about the bilateral US/EC negotiations are vague generalities and familiar platitudes. Which is another way of mouthing the same old but accurate story: most of the deals in all their shapes and forms that were being made and unmade were outside GATT and incompatible with multilateralism. Perhaps the most bitter legacy of this protracted and fruitless Round.

Several Third World participants were saying openly much the same thing. What's the point of the Round if there is no market access for Third World exports? No doubt a vital issue but it is only a single issue relating to the North-South confrontation which is not within GATT's perimeter, engineered as it is to retain the structures of power and privilege.

In such a maelstrom of irrepressible antagonisms generated by unequal power structures, the Round was doomed to failure from the beginning. None of Dunkel's well-intentioned efforts could save the show. One official ventured to make the debacle a little more palatable. 'All we've got to do now is keep the show on the road.' Ignore the cynicism. What kind of multi-million-dollar show are we talking about? For the benefit of whom? And once again at whose expense?

(Concluded)

— Third World Network Features

Frederick Clairmonte is an economics researcher, formerly Senior Economist at the UN Conference on Trade and Development in Geneva, and author of several books on trade and economics.

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.

Overbridges

Sir, When the over-bridge at Farm Gate was being constructed some years back, a news item appeared in the national dailies that government had plans to build as many as 35 over bridges in different parts of the city. But since then little work was done in this regard and neither the relevant department of government nor the Dhaka City Corporation gave any news through the national media as to their programme in the matter.

It may be pointed out that the ground upon which Dhaka Railway Station was shifted from Fulbaria to Kamalapur at a considerable expense from the state exchequer, the same necessity has now arisen, and it is simply impossible to further shift the railway station in the same manner. The construction of a good number of over-bridges and sub-ways at only a small portion of the amount vis-a-vis expanse of shifting could have served the purpose. In view of growing economic activities at all levels, the construction of over-bridges and sub-ways is of utmost necessity. Only the experienced know, what great and bitter sufferings they are to undergo, because of constant traffic jam almost throughout the day at various places in the city.

The problem is so much acute that the concerned authorities may kindly ponder over the matter on a wartime emergency, so that people may overcome their sufferings.

M H Shaikh
Lalbag, Dhaka.

Playboy, VIP sings

Sir, For quite a long time, we have been observing in Dhaka city and many other parts of Bangladesh that so many motor car, motor cycle owners are decorating their vehicle with a poster of rabbit's head which in its lower portion carries the sign VIP (Very Important Person).

In this context I would like to draw the attention of these owners to the fact that the rabbits' head in this type of posters is a mark or symbol of a sexy magazine 'Playboy' which, unfortunately is sold in Dhaka city beside the other similar magazines from India and elsewhere, which in fact are very harmful psychologically and can create many bad side effects.

Obviously, playboy sign has no connection with the sign of VIP but some opportunists print and distribute these two signs together maybe for achieving some benefit. And naturally this leads many people to unknowingly involve in advertisement for such a dirty and unsocial magazine.

In end I would like to request all concerned to give a thought to this serious matter and draw the attention of all others to this.

Seyed Rahim Ashnakhah
An Iranian student at BUET, Dhaka.

Child-labour

Sir, The number of child-labourers are increasing alarmingly in our country. According to UNO though child-labour is totally illegal, we don't see any positive role of that rule in Bangladesh. A large number of child-labourers are working in hotels or are pulling rickshaws. They are also engaged in breaking bricks or working as porters. When they should go to school, they are helping their families by earning themselves. Moreover there is an accusation that they do not get enough wage.

The government should solve this problem as soon as possible by taking a number of general education as well as technical education programmes. If we do not take measures now to solve this problem, then it will surely be a headache for us all in the near future.

Mirza Mamun Sadat and Ashfaqur Rahman Sujan, Dilalpur, Pabna.