

The FM's Optimism Should be Tempered by Caution, with His Goals Linked to Risks

by M Syeduzzaman
Guest Columnist

A Good Start for Clinton

No matter how attractive is the programme offered by the Democratic Party, backed by a stirring acceptance speech by the nominee, Governor Bill Clinton of Arkansas, the real challenge facing the platform is the same as what overshadows the prospects for the Republicans. It is simply to regain the trust and credibility of the electorate of the United States in the establishment, the two-party system being the most important element in the scenario. To put it in another way, the challenge is to respond to the negative signal which the voters have sent out through support of likely independent candidate Ross Perot, the support that the US media interprets as contempt for the two major parties. No one should be surprised if Perot has since withdrawn from the race — the billionaire has his own credibility problem — but even if this happens, the growing cynicism among the US public about the two parties will not wither away. In all probability, we may be only seeing the tip of the iceberg of the crisis of the US establishment.

Part of the crisis relates to the changing fortune of the Republican Party rather of President George Bush in particular, as reflected in the latest opinion polls. A year ago, the victory won in the Gulf War had put the Bush Administration at the top of the world. Anything that it wanted, from hegemony over the world to a solution of the Arab-Israeli conflict, from a resurgence of new idealism on the domestic front to a near-total control of the United Nations, seemed to be within its grasp. Economists started predicting that the American recession would be short, the budget deficit would be drastically cut down and such programmes for social reforms as the health care project would not be starved of funds.

Of course, most of these expectations have been dashed. Iraq's Saddam Hussain remains in power, more as a threat than as a mere irritant. On other global issues, such as the disintegration of Yugoslavia and the in-fighting among some of the republics of the former Soviet Union, Washington seems unable to offer any initiative. On the domestic front, no one talks about reducing the budget deficit or, for that matter, about putting in a new dynamism in the sluggish economy. Bush did almost next to nothing to turn the recent sterile G-7 Summit in Munich into a productive exercise.

To suggest that the Democratic Party has all the advantages to win the race on the ticket headed by Clinton, with Senator Al Gore as his running mate, would be premature, even absurd. True, the party has an edge, provided it can resolve the differences between hard core regulars, the so-called establishment group, and the special disadvantaged minority factions, such as the blacks, women and even homosexuals. One way, indeed perhaps the only way, of creating a cohesive platform is to offer an economic strategy what Clinton has tentatively labelled as "Putting People First", thus giving the United States a new place in the global economy. How does an administration translate this attractive slogan into reality when the annual budget deficit has doubled into \$400 billion? Clinton promises that in four years, he would save \$300 billion, without perhaps levying new taxes or reducing allocations for welfare programmes. In their present cynical mood, the average US voter may well regard Clinton's promises as wishful thinking. But, then, there is nothing to suggest that the Governor is not serious about his plans or that in his vision for the future of his country, he is living in a world of his own. There is no denying the fact, Candidate Clinton is being taken seriously and many people in the United States, albeit still a minority in the total population, would like to see him in the White House. The Democratic Party has indeed got off to a good start. But it is only a start of a long, hard and possibly unpredictable campaign that lies ahead.

The Disturbing Traffic Situation

Twelve persons were killed and 135 hurt in road traffic mishaps in and out of the capital city between Sunday and Thursday. There was no special occasion for a traffic rush to occur on those days. Then why should people be hurt and killed on such a scale?

Our dismay, however, seems to have been misplaced. What's the daily national average of such deaths and injuries? The Jatiya Sangsad was told on Monday that in the last 150 days 780 persons were killed and 1065 injured in road accidents. That is six deaths a day — far higher than the toll taken in last five days. We stand corrected only to ask why is the national death rate on the roads so high?

Many may feel that this and much more should of necessity be paid as the price of development and yet others think that this is quite paltry a traffic casualty figure for a nation of 120 million. But there are at best unthinking postures. The road deaths could as well be described as rather the result of undevelopment. The reason we say so is that the figure 120 million is very misleading. In spite of our population being almost half of that of the United States or double that of UK, vehicular traffic here could be as less than theirs by a factor of maybe one hundred. As such, a just comparison between the two situations would call for length and condition of roads, number of road users, number and kind of moving vehicles and many other parameters. Such a comparison would show what a mindlessly cruel toll is taken by our road traffic situation.

A minister told the Jatiya Sangsad that he was sure the victims of road accidents were being compensated by either the transport operators or the insurance companies. While we are very much unable to join him in his confidence, we feel the figures of Tk 20,000 for a death and Tk 10,000 for serious injury is a regular shame.

The road traffic situation has a very close resemblance to the maddening railway situation. There were 82 train mishaps in less than 30 months starting January '90, averaging about three to a month. The overall movement position — security-wise — is as lousy as the situation of the compensations for the victims. One big reason for all this is that the human rights situation is very poor in Bangladesh because of which the culprit vehicles and their operators do not feel themselves beholden to their clients and other road users in any way.

A true improvement in the control and supervision of the roads and a marked development in the road sense of all kinds of vehicles are a must and the government has a very big role to play in this.

CRITICS have commented on the budget for 1992-93 not only for what it contains but also for what it lacks. One should look at it from two standpoints: Whether the budget responds to the fundamental problems of the Bangladesh economy, and whether it is consistent with the declared policies of the Government.

The basic problem of our economy is the low and declining levels of investment over the past two decades resulting in inadequate production and GDP growth, and as a consequence, inadequate employment generation and practically unchanged poverty situation. Admittedly, there is no quick fix or short term solution to this fundamental problem. But the test will be whether reasonable attempts have been made in the budget to address the issues.

From this point of view, the 1992-93 budget has some positive aspects. Attempts have been made to limit the growth of non-development expenditure. Significantly, larger resources have been allocated for the public investment programme (annual development programme) compared to the revised budget for 1991-92. The Finance Minister has undertaken a large number of reforms in the area of taxation and revenue measures. Reduction in rates, simplification of procedures and measures for administrative improvement in the area of direct and indirect taxes are all commendable. Attempts to raise additional revenue through policy reforms, structural changes in the tax system and administrative improvements, rather than imposing new taxes are both realistic and politically convenient.

Overall tax revenue is projected to increase by about 10 per cent over last year's receipts. It has been said by some that this does not reflect a strong determination to raise domestic resources. In some earlier years, higher growth rates have been realised in revenue collection. Revenue surplus as a percentage of total revenue collection was also higher in several years in the past compared to the projection for 1992-93.

Three factors could explain the current modest effort. In the prevailing political environment, higher taxes would be inconvenient for the Government, economic activities have been stagnant over the past two years, and tax reforms involving liberalisation always leads to revenue loss in the short run. What is noteworthy is the projected growth in collection of VAT revenue in 1992-93. It will be almost 20 per cent over the original budget estimates for FY 1991-92. This indicates the healthy impact that the VAT system will have on Government's revenue income in the coming years. Putting the VAT system in place is a major breakthrough in mobilisation domestic resources.

Restraining the growth of non-development expenditure, higher allocation for the ADP, and reform of the tax system are all consistent with the declared macro-economic policies of the administration. There are, however, some areas of concern. In the case of non-tax revenue, excluding profits from the Bangladesh Bank receipt from the rest of the financial and non-financial public undertakings and enterprises is virtually stagnant in nominal terms, meaning a decline in real terms. Large shortfalls have been projected in loan repayment and interest payment to the Government by public corporations and enterprises in respect of foreign and local currency loans as in the past years. It is clear that the management of public assets and public economic undertakings continues to be poor and discouraging, and perhaps deteriorating. No new initiatives have been indicated in the budget for strengthening the financial performance of the public sector undertakings. Undoubtedly, inefficient management of the public sector continues to be the most serious macro-economic malaise which deserves more than routine attention. Without this, fiscal management will continue to remain burdened and it will also undermine the financial sector.

Though growth of non-development expenditure has been limited to only eight per cent in nominal terms, growth in pay and allowances of Government employees is of the order of 14 per cent (over the pay rises of last year), and obligations for pension of public servants have increased by over 50 per cent in course of only one year! The non-development budget does not yet reflect the implications of

the Wages Commission. There will be additional financial burden and further deterioration in the financial outcome of the public sector corporations and enterprises. These reflect some underlying weakness of the non-development budget. In these respects there is hardly any deviation from the trend of the late eighties.

In keeping with the liberalisation of the investment regime, a number of facilities and incentives have been provided for the private sector through fiscal measures. There are several measures for promoting the growth of the capital market. The Finance Minister has correctly restored some incentives for savings and investment which were introduced in the mid-eighties but were unfortunately deleted in the past two to three years. These are all consistent with the declared policies of the Government.

The budget has proposed reduction in rates for income tax as well as import duties, but total revenue collection is estimated to go up. This obviously presumes larger imports, higher production, and greater collection of import

many of their large investments due to bottlenecks in the infrastructure sector. The public sector has the crucial role for providing and improving infrastructure facilities for the rest of the economy to move on. This calls for efficient and timely utilisation of the ADP resources and implementation of projects and programmes which are heavily dependent on utilisation of foreign aid. Experience of FY 1991-92 in this respect does not inspire confidence. In spite of higher local currency resources generated by the Government the size of the ADP had to be reduced in the revised budget reflecting poor implementation performance. We hope the authorities have been able to identify the weakness in the implementation machinery and have put corrective measures in place. Measures which have been taken or are contemplated for improving the capacity of the Government machinery to deliver a much larger public investment programme should be made public. This will give credibility to the optimism implicit in a higher ADP.

Normalisation of the operation of the finan-

In the budget, one thing is lacking — it is a perspective. The Government should tell the nation what lies beyond FY 1992-93 in the area of socio-economic objectives and targets. It is difficult to make a judgement on long-term prospects... on the basis of only one year's macro-economic policies.



duties, excise and VAT revenues. In other words, the economy will be activated significantly over the levels of last year reflecting in the five per cent GDP growth projection. The Finance Minister has been an optimist in this respect like all his predecessors. To what extent this is likely to be realised? How far is the optimism justified? Is the prevailing non-economic environment propitious for justifying such optimism? We hope in the coming weeks there will be clarification of measures which the Government contemplates for improving the law and order situation, for reducing the frequency of transport dislocation, and frequent stoppage of work in industrial organisations — both public and private. Unless there is a significant improvement over the situation that prevailed during the last financial year, the optimism about reactivation of the economy will have to be tempered with caution.

The primary emphasis of the Finance Minister in presenting his budget for FY 1992-93 has been on macro-economic stabilisation, liberalisation of trade and investment regimes and new incentives for the private sector. These are all steps in the right direction and will be applauded enthusiastically at home and abroad. By themselves these measures, necessary as they are, are not sufficient to stimulate production and investment. Among factors that will remain crucial for stimulating economic activities and production, two are particularly important.

These are improvement of infrastructure facilities and reactivation of the financial markets. At the top of infrastructural facilities comes the need for improving the performance of the power sector. Restoration of normalcy in this sector with higher generation and improved transmission and distribution are essential not only for bringing new investments on stream but also for utilisation of existing capacity, leading to the projected increase in imports, production and revenue generation. Even countries like Korea, Taiwan and Thailand are slowing down or rephasing

the financial sector will be a critical precondition for reactivation of the economy and growth in production in the agriculture as well as non-agricultural sector. The picture revealed in the budget speech about expansion of bank credit in the last financial year is modest indeed. During the past year, the Finance Minister and some of his cabinet colleagues have repeatedly urged upon the banking sector for becoming more active and forward looking. Obviously results have fallen short of expectations. We hope there has been significant progress in the utilisation of Tk 100 crore provided by the Bangladesh Bank last year through commercial banks for stepping up private investment. In a statement in the beginning of May the Finance Minister had mentioned that the financial sector would be out of the woods within weeks. We hope, new initiatives which the Minister had in mind will soon be made public and quickly put in place. Restoration of normalcy in the financial market involves intangibles and confidence. The authorities will have to take steady and sure steps in view of the jolts suffered by the financial market last year due to national and international regulatory failures, adverse impact of Government's political decision on agricultural credit, and abortive effort on recovery of industrial credit.

In the first budget presented by the new Government after assuming full control under a parliamentary democratic set up, one thing is lacking — a perspective. We hope the Government will soon tell the nation what lies beyond FY 1992-93 in the area of socio-economic objectives and targets. It is difficult to make judgment on prospects of economic growth, employment generation and reduction of poverty, on the basis of only one year's macro-economic policies. There is a cursory reference to the Fourth Five Year Plan framework in the budget speech. Is it the same plan which was drawn up by the last regime? In the last Aid Group meeting the donors were informed that a "New Development Perspective" has been adopted by the Government. We hope this

will be shared with the nation in not too distant a future for a fuller appreciation of medium term development objectives and goals.

Until recently the Finance Minister spoke strongly on some issues which can be pursued only in the context of a medium term programme. These relate to privatisation, disinvestment, rationalisation and restructuring of public enterprises, 'recovery culture' etc. The budget speech of the Minister is silent on these issues. There is no mention of the problems of the jute industry and Government's programme for this sector. Absence of any explicit programme for restructuring of selected public enterprises which is an useful and viable option, is also disappointing. I do not agree with those who suggest that the Finance Minister has not been able to take on board the rest of the Government on these issues. I would also like to disagree with the suggestion that politics has overtaken economic and efficiency considerations on these vital issues critical for economic restructuring. We hope the Finance Minister will soon come out on these issues to remove uncertainties in the minds of many at home and abroad.

On the whole the Finance Minister, in presenting the budget for FY 1992-93, has been optimistic, and some might even say that he has taken a risk, it not a gamble. I think the Minister had no other alternative. The risk is worth taking. The uncertainties have to be minimised by giving proper attention to improving the non-economic environment, putting the Government machinery to efficient use for implementing the ADP, and taking measures for normalising the financial sector. Otherwise there is risk that savings will go towards import of gold or luxury housing taking advantage of some incentives provided in the budget. Minimisation of the risks depends entirely on ourselves. We cannot blame external agencies or donors if the budget objectives and targets are not fulfilled or realised. There is no shortage of foreign aid. The Minister has asserted this in his budget speech with all the force at his command. Policy reform conditionalities which are currently associated with foreign aid have been frequently owned by the Government as our own priorities. In fact, these are ongoing macro-economic policies, liberalisation measures and incentives, which have been gradually put in place over the past decade.

The Finance Minister deserves credit for developing many of these faster than his predecessors. Conditionalities for projects are mostly efficiency related and consistent with Government's declared preference for 'efficiency culture'. The donors have not imposed any new conditionalities for FY 1992-93. If we cannot utilise the foreign aid which has been placed at our disposal due to our internal weaknesses or due to feeble administrative machinery, the responsibility will be at our doors. We cannot blame the donors. The challenge for improving the non-economic environment, for removing constraints in the way of reactivation of the economy through improvement of the law and order situation, through introduction of better labour-management relationship, lies entirely on us and not on any external agencies. The responsibility for reactivating the financial sector for extending necessary support to agriculture, business, industry and trade lies on ourselves. Foreigners cannot help us here. The responsibility for improving the performance of the power sector by reducing system loss and for improving the infrastructure facilities through timely and quick implementation of the ADP projects lies on us and not on foreigners.

The budget for FY 1992-93, therefore, presents a major challenge to the Government on genuine self-reliance. The Finance Minister will have to spend a lot of time in the coming months explaining the underlying assumptions of the budget, and in elaborating and clarifying the administrative and political measures that will be taken in their support. The Minister will need support from the rest of the Government for putting in place 'good governance' about which he has eloquently mentioned on several occasions.

The writer is a former Finance Minister of Bangladesh.

Haiti: Locked in a Prison of Silence

NEW YORK — Throughout the night, people in the Haitian capital of Port-au-Prince lie awake listening to sporadic gunfire, hoping they won't be the next victim.

By morning, a deceptive peace has resumed and the previous evening's terror is never reported in the news media — just in uncertain whispers in the market place.

This is the climate of fear that today's Haitian refugees are attempting to escape. Beyond the terrible poverty that is their history, beyond the current bloody conflict that makes them news, the vast majority of Haitians are also

suffering the deprivation of basic information on developments in their own country.

It was not always so. Over the six years following Jean-Claude Duvalier's fall from power, freedom of expression was one area tangibly improved.

The media, particularly radio, pulled a largely illiterate and marginalised population out of its political isolation during this turbulent period, filling a vacuum left by political

parties unable to respond to popular aspirations. Whatever the flaws of President Jean-Bertrand Aristide's brief time in office, his presidency did coincide with a continued flowering of mass

news media. Talk radio was the prevailing format, much of it partisan, but nonetheless giving Haitians the opportunity to hear a vigorous airing of the issues of the day.

All of this abruptly ended

with the coup last September 30. According to one Haitian journalist, "one of the coup's objectives was to silence popular movements and to kill the instrument of those movements: radio."

In the seven months since the ouster of Aristide, Haiti's first democratically-elected president, the nation's broadcast media has been silenced. Few of the 49 radio stations that served as news outlets during his administration now dare to broadcast news reports. Only five of the 25 stations in Port-au-Prince continue to operate.

The caution of Haitian broadcasters is born of terror. On the day of the coup, Jacques Simeon, owner and director of Port-au-Prince's Radio Caraibes, was abducted by uniformed soldiers at his home and several days later found dead in the street. He had been tortured. His face was barely recognizable.

Ten weeks later, Felix Lamy, director of Radio Galaxie, was abducted from his office and never heard from again. At the time, Radio Galaxie was virtually alone in broadcasting news in Port-au-Prince.

Beatings and detentions are common. Reporters routinely receive telephone threats. Rumors of death lists float about in Port-au-Prince. The fear is now so pervasive that many journalists have gone underground, while other have chosen to flee the country.

Ties to foreign media provide no guarantee of protection. In February, staff reporters for National Public Radio and the Chicago Tribune were detained by soldiers who threatened to kill them.

Voice of America correspondent Joseph Guyler Delva was beaten by police in early June. Several other VOA stringers have gone into hiding after being threatened, and several people have been arrested merely for listening to VOA broadcasts.

Repression and intimidation of journalists is openly acknowledged by leaders of the present government, yet nothing has been done to curb it.

One might expect this situation to bother Haiti's prime minister, Jean-Jacques Honorat, a human rights lawyer of international renown. But in a recent interview in Port-au-Prince he expressed nothing but contempt for his country's news media.

"There is no press here," he said pointedly. "They're nothing but little devils and damned liars."

US government officials say they are aware of the journalists' plight in Haiti, but they are reluctant to voice human rights concerns if it means they must reflect those concerns in their refugee policy.

"If the Bush administration were to acknowledge the prevalence of abuses," says Jocelyn McCalla of the National Coalition for Haitian Refugees, "it would give the current wave of boat people a better case for obtaining US asylum — and that's something the administration wants to avoid."

But it serves no one's interest to ignore Haiti's semi-official persecution of the news media. The Haitian refugees say the current regime has made their country into a prison. It is up to the media, not to abandon them to a prison of silence as well. — JPS

Kim Brice is a research associate for the New York City-based Committee to Protect Journalists.

To the Editor...

Protectionism

Sir, The president of the Rolling Mills Association has asked the Government to decrease the duty and taxes on import of billets while labour unions and Chittagong Steel Mills have requested the authority to increase the duty and taxes on billet import. It appears from the Steel Corporation price list that the current selling price of MS rods produced from Steel Mill billet in Dhaka exceeds Tk 26,400 per metric ton while the export price of EEC countries is around US dollar 270 per MT FOB basis. Similar is the export price from Latin American countries. Thus the landed cost of imported MS rods is around Tk 13,600 to Tk 16,000 per MT.

In the context of government preachings on open market economy and fair competition world over, higher duty and taxes on imported materials at the cost of the consumers, so as to protect

uneconomic industries till eternity, is, of course, not desirable. It is time to decide how much protection is to be given in each of the sectors of economy as it is no fun to give protection to perpetually sick industries. The Steel Mills' loss was Tk 45 crores in 1990-91 and the loss in 1991-92 is likely to exceed Tk 60 crores or so.

Let the great economists and top policy makers decide the fate of sick industries along with employment position in those enterprises, at the earliest.

Sadia Alee
Mghbazar, Dhaka

"Colonialism of foreign aid"

Sir, Two serious figurative mistakes have been committed inadvertently in my letter published in The Daily Star on June 24, 1992.

In para three line four, US

Dollar 10000.00 (ten thousand) be read as US Dollar 1000.00 (one thousand) only.

In para three last line, Taka 4500.00 (four thousand five hundred) be read as Taka 45000.00 (Taka fortyfive thousand) only. Thus the last line of the para be read as: "We pay an additional amount of Taka 45000.00 (fortyfive thousand) in 1992 for an amount of loan of Taka 8000.00 (eight thousand) taken in 1972."

O H Kabir
Dhaka 1203

Library needs help

Sir, Education is the backbone of a nation. No nation can prosper without it. A nation is as weak as it lacks education. The greater the literacy rate in a place, the more there will be the patriotic feeling, discipline, respect for law. The source of education is book

and the place for the preservation of book is the library.

A library may be called the touchstone for the civilization and prosperity of a nation. A library can save youths from deviancy. Realizing all these deeply, we, nine enthusiastic youths, set up a public library named "Belbari Islamia Sunnia Granthagar" at village Belbari in Burichang upazila under Comilla district on 7th May, 1989. At present, the number of books at this library is 105 while the number of our readers is increasing day by day.

But we cannot satisfy the demands of the readers for the lack of sufficient books, necessary furniture and space. We have got no help, government or non-government, since the time of its foundation.

We, therefore, appeal to all for financial help so that we can make our library a satisfactory one by standard.

Md Shahat Hossain
General Secretary,
Belbari Islamia Sunnia
Granthagar.