

# Market reforms require adequate time

by Faisal Siddiqui

(A response to Prof Sobhan's 'Time to search for new alternatives to market oriented reforms' published in The Daily Star on June 7.)

Lies, damn lies, and statistics. A very apt warning about the misuse of statistics, by which it is often possible to arrive at two exactly opposite conclusions from the same data.

To give an example, it may be observed that in Bangladesh, low raw jute prices in a particular season are usually followed by low supply and high prices the following season and vice versa. Seasonwise statistics will show an inverse correlation between prices and supply, that is, high prices and low supply, low prices and high supply. We can reach the erroneous conclusion that high prices lead to low supply and vice versa, since the underlying causal relationship is a logged one, where the previous season's prices affect the current season's supply.

Unfortunately, Prof R Sobhan's causal empiricism is not acceptable as an unqualified interpretation of randomly selected data, let alone be concerned with statistical rigour. The result is mere obfuscation, serving very little purpose. I will attempt to summarize, as clearly and as simply as possible:

1) What exactly the market reform agenda is and what it is not

2) What has been the actual historical evidence across the world on this issue (in stark opposition to Prof Sobhan's assertions), and

3) What implications the theory and historical evidence have for policy directions in Bangladesh.

Prof Sobhan has taken positions regarding the second and the third issues but has left the readers wondering about the first, that is what are the considerations on which the market reform agenda is based in the first place.

An analogous situation existed immediately after liberation, when Prof Sobhan was

one of the architects of a sweeping nationalisation of the economy. This was clearly based on Marxist philosophy, with the ultimate aim of complete state ownership or control and a command economy. As late as 1980, he was arguing, along with co-author Prof Muzaffar Ahmed in 'Public Enterprise in an Intermediate Regime', that performance of the semi-command economy was not bad (again based on causal empiricism) and, if doubts persisted, these could be explained away by the fact that an "intermediate" situation existed, and all problems would be taken care of by the complete control of the economy.

If 10 years were not enough for the command economy to prove itself, why is Prof Sobhan so strict regarding the time frame for market reforms? By offering us no alternative vision, but by insisting on the weakness of the market based solutions, he has sidestepped his own past. The Finance Minister of India has been brave enough to admit the conceptual mistakes of his own "socialist" past while currently vigorous in his pursuit of market reform. But we are yet to hear from Prof Sobhan and others, who advocated nationalisation of the Bangladesh economy, as to exactly where they stand today, though he does provide a clue by suggesting that we "not rush backwards into a regime of mindless controls and mismanagement since the pre-reform period was hardly a golden age of economic development for Bangladesh."

Why is it so important for prices to accurately reflect costs? Let me illustrate with a simple example. Take a shopkeeper who sets his selling prices so that some items are marked well above their costs while some are marked below their costs. If he sells all the

items, he does okay on average. But the fact is that he will soon end up selling rapidly below the items he has marked low cost, while nobody will buy the items marked well above cost. He will simply lose money. In a command economy like the erstwhile Soviet Union, the government is the hapless shopkeeper, both to local and foreign customers.

While fixing price from above at every level of production, from extraction of a natural resource to the retail or shop level, the divergence from true costs is introduced which a market economy would not entertain for long, as exemplified by the shopkeeper who would be quickly out of business. This initial divergence of prices from costs was compounded over a period of 70 years, so that, by 1990, the Soviet economy had become highly inefficient and inoperative, like the shopkeeper in our example, reaching a situation where he no longer knew what each item in his shop was actually costing him, so that his price setting became completely chaotic. The most glaring instance of this situation is the pricing of the Soviet rouble, whose official government fixed value at one point was 100 times the market rate!

The hard facts are: East vs West Germany, Eastern Europe vs Western Europe, South Korea vs North Korea, Taiwan vs China, Hong Kong, Singapore, Malaysia, Thailand, Indonesia. Closer to home and most relevant to us are Pakistan, India, Sri Lanka, and Nepal, countries about which Prof Sobhan is quite clear in his verdict — market reforms have been successful. It seems to me that Prof Sobhan is contradicting his own findings by suggesting that the questionable experience of a number of distant and anonymous Third World countries is more relevant to

Bangladesh than the clearcut and positive experience of countries like Pakistan, India and Sri Lanka!

So why does Prof Sobhan reach a different conclusion for Bangladesh? The answer is again contained in his own article: The World Bank and IMF have rightly argued that Bangladesh has yet to successfully implement the reform agenda let alone start evaluating results. Furthermore, Prof Sobhan also admits that the "World Bank and IMF reforms designed to improve economic performance remain above debate" but goes on to worry about the political implications "insofar as they influence the balance of social and economic power within the polity." This, once again, confirms his inability or unwillingness to sever ties with Marxist philosophy from the current economic agenda. Again, he also weakens his case by talking about the global economic depression throughout the 80's, which invalidates somewhat the use of 80's data to prove the inefficiency of market reforms in the Third World.

Prof Sobhan, more than anyone else, should be aware that it has taken most of us well over 10 years to fully understand the deficiencies of the command economy model — surely he should be generous enough to allow the market reforms, which have not even been substantially implemented, at least the decade of the 90's to work its tonic effects? The economic performance of Bangladesh during the 80's must have been influenced by the hangover effects of the "command economy" of the 70's and even Prof Sobhan would surely not dispute this point.

(The author is an Assistant Professor at the Institute of Business Administration, IBA, University of Dhaka.)

## Tk 2000 cr uplift, rehabilitation projects taken up

CHITTAGONG, Aug 17: A total of 1100 development and rehabilitation projects worth about Taka two thousand crore were taken up in the country during last two years, reports BSS.

Non Governmental Organizations (NGOs) Bureau Director General Mohammad Shahidul Alam said this here Sunday while addressing at the coordination meeting of NGOs representatives working in Chittagong.

The coordination meeting held here, was presided over by the Deputy Commissioner.

The executive director of NGO 'World Vision' James Hilton spoke on the occasion. Child survival project manager Dr Sukanta Sarkar and Advocate Azizul Huq Chowdhury addressed the function.

The Director General said government has approved 641 NGOs including 122 donor-NGOs in the country. He stressed the need for taking up income generation projects by NGOs in order to enhance their participation in country's human resource development and poverty alleviation.

## Price rise won't affect rubber sale

KUALA LUMPUR, Aug 17: The International Natural Rubber Organisation (INRO) Monday said its rubber buying was unlikely to end soon as prices were edging up too slowly despite its intervention in the past week, reports AFP. INRO Buffer Stock Manager Aldo Hofmeister said that he did not think it was wise to stop buying this week in an ailing market still depressed by a weak global economy.

"More than likely we will be in the market to continue this (buying) exercise the whole of this week," Hofmeister said in an interview.

"I don't see it wise to stop now to see what happens," Hofmeister said in a rare disclosure of a strategy normally viewed as unpredictable by the market.

INRO had been intervening in the market since August 7 and had mopped up mostly the technically specified rubber of SIR 20 and SMR 20 grades in the four major rubber markets of London, New York, Kuala Lumpur and Singapore.

He had last week made a fresh call for 150 million Malaysian dollar (60 million US) from INRO's members to finance future purchases.

Traders, criticising him for failing to boost prices, said the Buffer Stock Manager would not have much more money to "play around with."

## Industry Ministry projects Expenditure exceeds total allocation

The development projects of the industries Ministry under the revised ADP for 1991-92 have consumed an additional 12 per cent money, surpassing the allocations.

This was disclosed in a review meeting Monday on the projects, official sources told UNB. Industries Secretary Dr Ekram Hossain presided over the meeting.

Of the total 45 projects, 31 are current and 14 new. Nineteen of them are fully financed by the government, 13 funded by corporations and another 13 technical-aided projects.

About taka 376 crore was released for 15 government-financed projects, Taka 160.75 crore was released for six of the 13 corporation projects.

A total of 29 projects utilised 94 per cent of their allocated funds amounting to taka 528.20 crore.

The extent of project aid was 109 per cent and that of corporation fund 122 per cent.

However, utilisation of the government fund was 6 per cent less than the allocation.

The meeting also identified some seriously troubled projects including BMRE of Chhatak Cement Factory, Chittagong Chemical Complex, BMRE of Usmania Glass Sheet Factory and Technical Assistance Project of BSCIC.

Seven projects on the process of completion are expected to be completed this year. These are Jamuna Fertilizer Factory, Eastern Pulp

## Industry Ministry projects and Paper Mills, Chittagong

and Paper Mills, Chittagong Dry Dock, Rehabilitation and Mechanisation of Sugar Mills and Electronic Complex.

A meeting source said the Industries Secretary directed action against concerned officials for delay in implementing the electronic complex project. He, however, didn't elaborate.

The meeting also reviewed some of its earlier decisions taken in June this year and noted with dissatisfaction that BCIC has not yet submitted its report on the cost estimate for rehabilitation of its units in Chittagong which were ravaged by the 1990 cyclone.



WASHINGTON: Dr. Ronald Roskins, Director of the United States Agency for International Development (USAID) presents Raka Rashid, a Bangladeshi employee of USAID in Dhaka, with an award recognising her as the outstanding USAID Professional Employee of the Year for 1992. — USIS photo

## Dhaka seeks more Tokyo help establish market economy

Bangladesh has sought increase economic cooperation from Japan for establishing market oriented economy, reports UNB.

"We need Japanese economic operation in our effort to improve quality of life and materialise market oriented economy," said ERD (Economic Relations Division) Secretary Enam Ahmed Chowdhury at the Bangladesh-Japan annual consultation that began in the city Monday.

Opening the five-day consultation on bilateral cooperation and assistance at National Economic Council (NEC), he said Bangladesh attached great importance to the improvement of bilateral economic cooperation with Japan.

He said Bangladesh is now set with pragmatic and dynamic socio-economic policies and programmes in a democratic milieu having a committed leadership to lead the nation to peace, progress and prosperity.

At the annual consultation the Bangladesh side is being led by Additional Secretary of ERD Dr AM Shawkat Ali while the 13-member Japanese side by Deputy Director General of Economic Cooperation Bureau at the Foreign Ministry, Hiroshi Hashimoto.

Speaking on the occasion, the leader of the Japanese consulting mission/hoped that the existing Japan-Bangladesh relations will grow further.

Hiroshi Hashimoto stressed the need for an in-depth review of the progress of the decisions taken during the last meeting of the mission.

**Joint venture paper pulp mill**  
Setting up of a paper pulp mill in the country under joint venture with Japanese financial assistance was discussed in a meeting in the city Monday.

Official sources said paper pulp would be produced from raw jute in the proposed factory with an annual production capacity of 50,000 metric tons.

Different aspects of the project were discussed in detail when visiting Japanese parliamentarian Makoto Taneda called on Jute Minister ASM Hannan Shah at his office.

Taneda, also Director of the Japan-Bangladesh Parliamentarians League, assured his full cooperation in setting up the planned mills, said a Jute Ministry press release.

Jute Secretary M Akhtar Ali and high officials of the Japanese Embassy here were present at the meeting.

The Japan-Bangladesh economic cooperation started immediately after the independence of Bangladesh in 1971.

Japan is now the largest development partner of Bangladesh contributing annually about 300 to 325 million US dollar as development assistance, compared to 50-75 million dollar in the initial years.

## Shipping Intelligence

### CHITTAGONG PORT

Berth position and performance of vessels as on 17.08.92

Berth	Name of Vessels	Cargo	L Port Call	Local Agent	Date of Arrival	Leaving
J/5	Vishva Abha	GL	Mong	SSL	14/8	17/8
J/6	Seyang Ace	GI	Hong	Prog	15/8	21/8
J/7	Banglar Gourab	Urea	Mong	BSC	10/8	29/8
J/10	Samudra Raj	Idic	Kera	SSL	15/7	20/8
J/11	Al Mohammed	Urea	Mong	KSL	10/8	22/8
MPB/1	Fong Yun	Cont	Mong	BDSHP	16/8	19/8
CEJ	Samudra Samrat	Repair	Col	SSL	1/7	20/8
GSJ	Ira	Wheat	Califo	Aqan	16/8	19/8
TSP	Banglar Asha	Repair	-	BSC	9/8	20/8
RM/4	Hang Shing	Cement	Strig	H&H	22/7	18/8
DDJ	Banglar Shourabh	Repair	-	BSC	R/A	18/8
DDJ/1	Endurance Sea	Repair	Aqaba	EOSL	25/1	20/8
DDJ/2	Banglar Baant	Repair	-	BSC	R/A	20/8
RM/8	Banglar Jyoti	Repair	-	BSC	R/A	18/8
RM/9	Banglar Sampad	Repair	-	BSC	R/A	20/8
CLRF	Lok Vivek	-	Hald	Alamin	16/8	20/8

### VESSELS DUE AT OUTER ANCHORAGE

Name of Vessels	Date of Arrival	Last Port Call	Local Agent	Cargo	Loading Port
Bervalla 9/8	17/8	Mong	RSL	Cont	Sing
Yao Sheng	17/8	Sing	Bright	Cement	-
NGS Ranger 5/8	17/8	Sing	BDSHP	Cont	Sing
Kota Eagle 8/8	17/8	Sing	CTS	Cont	Sing
Arktis Star	18/8	-	BSL	GI	-
Mizoram	18/8	Cal	SSL	GI	FE E Japa
Al Tabith	18/8	Faza	BSL	R Sulphur	-
Nen Jiang	18/8	G Hou	BDSHP	GI (SPL)	-
Miramar	19/8	Mong	KSL	GI	P Sudan
Oryx	20/8	Mong	Aqan	GL	Doula
Flying Dragon	20/8	-	USTC	Cement	-
Hafez 26/7	20/8	Mong	SSL	E/L	Abbas
Optima 11/8	20/8	Sing	RSL	Cont	Sing
Solbulic	20/8	Para	Lams	-	-
Qing He Cheng	20/8	S Hai	BDSHP	GI	-
Banglar Shobha	21/8	Pena	BSC	GI	-
Ultra Sea	21/8	New Orle	Lams	Wheat	-
A Megacarrier Two 9/822/BSing	-	-	BDSHP	Cont	Sing
Ivyeverett	22/8	-	EBPL	GI	Japa Fe
Vishva Pallav	22/8	-	SSL	GL	Dundee Ant
Ever Cheer 8/8	23/8	Sing	BDSHP	Cont	Cal
I. Yamburenko 16/823/8	-	-	CT	Cont	Sing
Diamond Star	24/8	Sing	BSC	Steel Cargo	-
Mehedinti	25/8	Col	BSL	GI	-
Caravos Explorer	25/8	Stork	Alamin	Wheat	-
Fong Shin 15/8	25/8	Sing	BDSHP	Cont	Sing
Petr Starosten 16/826/8	-	-	CTS	Cont	Sing
Kota Buana 16/8	26/8	Sing	CTS	Cont	Sing
Sandromache 16/8	26/8	Colm	RSL	Cont	Col
Safina-e-Haider	28/8	Kara	ASL	GI/GL	Karachi

### TANKER DUE

Name of Vessels	Date of Arrival	Last Port Call	Local Agent	Cargo	Date of Arrival
Jamac	18/8	-	Seacom	CTSO	-
Neptune Aries	19/8	Sing	MSP.L	HSD	-
Kashee	19/8	Jrbal	DSL	C Oil	-

### VESSELS AT KUTUBDIA

Name of Vessels	Cargo	Last Port Call	Local Agent	Date of Arrival
T T Energy	C Oil	Col	NNL	27/4

### VESSELS AT OUTER ANCHORAGE

Ready On

Name of Vessels	Cargo	Last Port Call	Local Agent	Date of Arrival
Andrhan Goshcharov	Cont	Sing	CT	16/8

### VESSELS AWAITING INSTRUCTION

Name of Vessels	Cargo	Last Port Call	Local Agent	Date of Arrival
Bryanski Mahinostrotel	-	-	TSLL	R/A(14/8)
Al Reza	-	-	-	17/8

### VESSELS NOT ENTERING

Name of Vessels	Cargo	Last Port Call	Local Agent	Date of Arrival
Alyn	Cement	Sing	Alamin	R/A(18/9)
Nehaj	Concent	Col	Umal	10/8
Kwan Mo Bong	Urea	-	Seacom	R/A(15/8)

The above were the Monday's shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied HRC Group, Dhaka.

## Price Index

August 17

Essentials	Price	(One piece)
RICE		8.00-14.00
Arman(fine)	16.00-17.00	NA
Pujan	13.50-14.50	NA
VEGETABLES		(4 pieces)
Peas (local)	11.00-12.00	12.00-15.00
Brijjal	8.00-12.00	3.00-4.00
Karolla	12.00-13.00	(Taka per kg)
Lalshak	5.00-6.00	50.00-55.00
Papa	6.00-8.00	52.00-54.00
Green Banana (Four Pieces)	4.00-6.00	38.00-39.00
OTHER FOODGRAN		85.00-95.00
Flour	13.50-14.00	Vegetable Ghee (1kg)
Asa	11.00-11.50	48.00-52.00
FISH		SPICES
Rahi(hg)	180.00-190.00	Onion (local)
Kasul(hg)	110.00-140.00	Garlic (local)
Hilsha	50.00-55.00	Chilies (local)
Pisga	140.00-150.00	Turmeric(local)
Shrimp(hg)	90.00-100.00	MILK
Sage	120.00-130.00	Dano
Koi	130.00-140.00	Red-Cow
MEAT		MISCELLANEOUS
Boat	60.00-62.00	Ghee
Mutton	85.00-90.00	Sah
CHICKEN		Sugar
Large	60.00-62.00	27.00-27.50
Moderate	64.00-66.00	
Small	66.00-70.00	
TEA		Cow
Dark (Plain)	70.00-80.00	Light
EGG		Medium
Han	12.00-12.50	Heavy
Duck	12.00-13.00	Very heavy
Firm	12.00-13.00	Rejected
PULSES		Big
Mashur	28.00-30.00	light
Moogh	30.00-32.00	heavy
Chola	22.00-23.00	Light & Medium
Khesar	14.00-15.00	9500
FRUITS		3000
Green Coconut (Small)	6.00-7.00	Rejected
Coconut (Large)	8.00-10.00	sleep
		Buttle
		60000
		65000

Source: Department of Agriculture marketing

## Exchange Rates

The following are the Commercial Bank's BC selling and TT (C) OD transfer buying rates for some selected foreign currencies effective on August 16, 17 and 18.

Currency	Selling B.C.	T.T. (C)	Buying O.D. Transfer
US Dollar	39.1325	38.9087	39.5339
Poundsterling	75.1357	74.7816	74.4916
DM	26.7295	26.5563	25.3713
S Royal	10.4641	10.4042	10.3307
D Outiders	23.7024	23.5825	23.3861
S Kroner	24.1019	23.9939	23.9738
Singapore Dollar	24.3854	24.1314	23.9738
UAE Dirham	13.6911	12.6299	10.5548
Kuwaiti Dinar	136.3793	133.6154	132.6787