

Interview: BIDS DG Mashiur Rahman Khan

'Open Market Policy at Present Is a Premature Step'

As the Director General of the Bangladesh Institute of Development Studies (BIDS), MASHIUR RAHMAN KHAN is at the helm of the country's top institution conducting research work on development issues. In an extensive interview given to TOUFIQUE IMROSE KHALIDI of The Daily Star recently, Khan discussed a wide range of issues facing the economic development process in Bangladesh, from free market economics to education to the bureaucracy, which included a brief observation on the national budget of 1992-93.

DAILY STAR: How do you summarise the country's present economic scenario?

MASHIUR RAHMAN KHAN: Well, I would like to start with the industry. Our industrial base is very narrow. Policies in the past were not appropriately tuned to develop the industrial and manufacturing sector. At present, the Government is talking about open market policy which, I would say, is a premature step. This will result in our national industries facing competition with the outside world. But the level of our industries needs more protection.

Development of industrial sector is necessary since growth rate in the agricultural sector is limited. If we look at the agricultural sector, again we will find that policies are not very helpful to the poor farmers who are the main contributors to the development of this sector. The price subsidy we give is a disincentive to the growers. Farmers get input subsidy even in the developed countries whereas we have reduced input subsidy. So the whole picture of our economy is very dismal.

DS: Then do you want to say that there is no hope for our economy?

MRK: No, I didn't mean that at all. What I am trying to say is that the policies were not appropriate due to which we could not achieve whatever we could. But the potentiality of our people is unlimited. I have great faith in them. They are very hard-working. In fact, we are in an advantageous position. We have a small land, homogenous people with same culture. What is needed is a good and congenial atmosphere. Bureaucratic complexities, red-tapism should be removed. Government should be pragmatic and dynamic to recover from the ills which have been inherited from the mis-

rule of the past. For example, huge amount of money has been given to different projects and industries which is hardly being utilised for industrial set-up and productive sectors. Once people get the money, they think it is their own money and do not intend to repay it.

DS: What is reason behind borrowers' not repaying the bank loan and what is your suggestion to get the money back from the defaulters?

MRK: There has been a gross irregularity in the process of sanctioning the money. The decision makers did not bother to examine the entrepreneur's check the papers and feasibility of the projects. There was no monitoring system as to see whether the money had been properly utilised or not. Misuse of money could not generate adequate income out of which loans could be paid back. On the other hand, interest rate was very high which encouraged the people to keep the money in the bank

activities of the non-government organisations (NGOs) who are playing a good role to help the rural poor. The success of the Grameen Bank is well-known.

However, the activities of the NGOs can only stop poverty from worsening further.



ther. So there should be more powerful mechanism to eradicate poverty. It is important

MRK: It is not a bad idea. Though it will be an expensive affair all through but there are people who can afford to send their children abroad for education, then why not here in private universities.

DS: Should there be a regulatory role of the Government in running the affairs of these institutions?

MRK: They can interfere only when a system starts getting exploitative character. The government's regulatory role should be to help not to thwart. In the same way the Government can check the activities of the kindergarten schools and private clinics from time to time.

DS: In the beginning you talked about red-tapism. Don't you think that their decisions are influenced by people in power to attain their political ends and thus jeopardising the original purposes?

MRK: In one sense bureaucrats are the government. Of course there are some efficient bureaucrats but cannot do anything due to the system. Every government wants to imple-

This year's budget favours the rich, no doubt. Tax has been lowered on import of vehicles. Prices of kerosine and petrol have been made equal which is ridiculous because it is the poor who use kerosine and the rich who use petrol. Development as such is a process when the rich will be richer and the poor will be poorer. This process continues unless and until policies are taken to neutralise the situation.

rather than invest. Nowhere in the world interest rate is so high. I am glad that this has been reduced.

The government should get the money back immediately otherwise new loans cannot be sanctioned. Rules and regulations should be tightened to make the lending and the recovery system efficient and free from political pressure. As you know that the Government has exempted the farmers from repaying their loan, mainly for political reasons. This will encourage the next borrowers not to repay. This kind of decisions obstruct the system to work smoothly. If we really want to help the poor people there are many other ways. What is happening now is that investment is not being made in rural areas.

Moreover, whatever money is generated is being transferred to the urban areas. Counter-active policies should be made to keep the money in the rural area, to invest that money in productive ways and curb unemployment and underemployment in the agricultural sector. In this respect, I would like to mention the ac-

because it can create various social problems. The erosion of values among the students is linked to the uncertainties about their future.

DS: Do you think there should be a change in our educational system? If so then how do you think that change can help solve problems like unemployment?

MRK: I do think that there should be a change in the education system. It is better to have less educated earning member than an educated unemployed in a poor family. What we are making now is an educated "babu" who does not have respect for agricultural work, does not want to stay in the village. If we could give technical and profession-oriented education students could be engaged in more gainful activities. For example, nursing profession has a very high demand abroad. If we could train people and send them abroad their families would be benefited.

DS: You were talking about the education system... what do you think about the idea of private universities?

ment its party's decisions. If the ruling party has some good policies there is no harm to publicise and implement those. But victimisation is bad. Each and every government in our country tend to throw the decisions and initiatives taken by the previous government into the drain knowing pretty well how much it will be harmful for our country.

DS: It is said that our bureaucracy is extra large. What would you suggest to deal with the bloated bureaucracy?

MRK: We have excess manpower in every sector whose productivity is close to zero and who are in many cases not accountable. Many people think there would be no decline in productivity even if they are fired. But how can you do that? Finance Minister himself spoke of this excess manpower who should be sacked. But he had to rethink about it. In fact, before removing this excess manpower we have to think of alternative jobs. Otherwise it will give rise to social and political instability.

DS: How do you relate development to foreign aid, the

accompanying conditionalities? Can we do without foreign aid?

MRK: When somebody gives money, there is some conditionality most of the time. The donors have some set principles which they try to impose and which may not be favourable to us. But I think we are also responsible for that. We misuse the money, cannot use effectively and cannot mobilise resources. Therefore, our demand for foreign aid keeps going up every year which brings along more conditionalities. Can we do without foreign aid? You see we have a savings of three to four per cent of our gross domestic product. With this much savings we can have a growth rate of one per cent annually. But then if population growth rate is two per cent the economy will have a negative growth rate — minus one per cent. In this situation, it is impossible to do without foreign aid but to starve.

DS: How do you evaluate this year's budget (1992-93)?

MRK: This year's budget favours the rich, no doubt. Tax has been lowered on import of vehicles. Prices of kerosine and petrol have been made equal which is ridiculous because it is the poor who use kerosine and the rich who use petrol. Development as such is a process when the rich will be richer and the poor will be poorer. This process continues unless and until policies are taken to neutralise the situation. This would not be very helpful for industrial and agricultural growth either. I have already told you about the agricultural and industrial policies. However, I think the tax policy, if implemented properly, would be able to reduce corruption and tax evasion. Keeping the tariff and tax rate low is good in the sense that whole amount can be collected. People tend to lower the value of land and other property to evade tax if the rate is too high.

DS: People often talk about national consensus... on fundamental policy issues?

MRK: If consensus on national issues is achieved that's well and good. Consensus is possible only when everyone's demand is same. It is said that consensus on the MPs' remuneration and privileges is easily achieved but not on important national issues. There should be open discussion and criticism from all walks of life and we should have the patience to listen to everyone simply because democracy achieves maturity through this.

Tobacco or Food : the Zimbabwe Equation

by Ronald Watts

A major effort to defend its policy of expanding tobacco production has been launched by the Britain-based International Tobacco Growers' Association (ITGA). It is of great interest in Zimbabwe where tobacco is the most important agricultural export.

In a year of acute drought the Tobacco Marketing Board has just announced that sales on the tobacco floors, which started on March 31, have topped the one billion Zimbabwe dollar mark.

With almost daily drought-

of exports in the past season despite the drought. Projected gross margins for roses come to \$267,067 per hectare against \$217,308 for flue-cured tobacco, Zimbabwe, they report, is the sixth largest exporter of roses in the world, but expansion is limited by air freight capacity.

In this time of drought, people are asking how tobacco fits in with food production. Last year Stamps criticised to-

Some 98 per cent of tobacco is sold on the world market and so benefits incredibly from devaluation of the Zimbabwe dollar. Maize has had a price fixed by government at very close to a break-even point and has lost out heavily because of rising input costs.

The grower's price is currently \$650 per tonne while the landed cost of imported maize is at least three times this amount. What economists have yet to answer is how tobacco would fare if it had to face competition with maize at world market prices.

While Zimbabwe's large-scale farms have been moving from unprofitable maize into tobacco, the small-scale farmers cannot afford to do the same.

This is because growing maize requires little capital beyond an ox-drawn plough. Flue-cured tobacco is particularly capital intensive because of all the processing that takes place on the farm.

Capital is one of the areas where tobacco farmers are vulnerable because so much of it has to come from outside Zimbabwe. Last year Maurice Rooney, Chief Executive of the Tobacco Industry Council, branded as "neo-colonialism" Britain's decision to stop aiding the tobacco sector in developing countries.

Such a ban is extremely difficult to apply since, if any, farmers grow only tobacco and are advised to grow the crop in rotation with grass and other crops.

It is particularly difficult to determine why Zimbabwe's tobacco moguls are so sensitive to the home-based health lobby.

Rooney recently referred to Stamps' suggestion that consumption at home should be curtailed as the "The Morality of Medellín" — referring to the Colombian drug capital — and implied that it was immoral to export tobacco while warning Zimbabweans of the dangers to their health.

Apparently Zimbabwean smokers are expected to die quietly in their thousands, blissfully unaware of the risks of smoking. They are, in other words, to be sacrificed on the altar of "a free economy." "Market forces" and Economic Structural Adjustment Programme.

The main arguments between the tobacco industry and the medical profession in Zimbabwe are not about the growing of tobacco. They are about advertising, making public places "no smoking zones" and the teaching in schools of the risks of smoking.

Apparently the industry feels that because it has produced one billion dollars worth of exports it should have a free run for its money with no restrictions placed on it at all.

In spite of the health lobby, tobacco, as a future crop for Zimbabwe and the 94 other countries that grow what King James I called the "loathsome weed," looks promising.

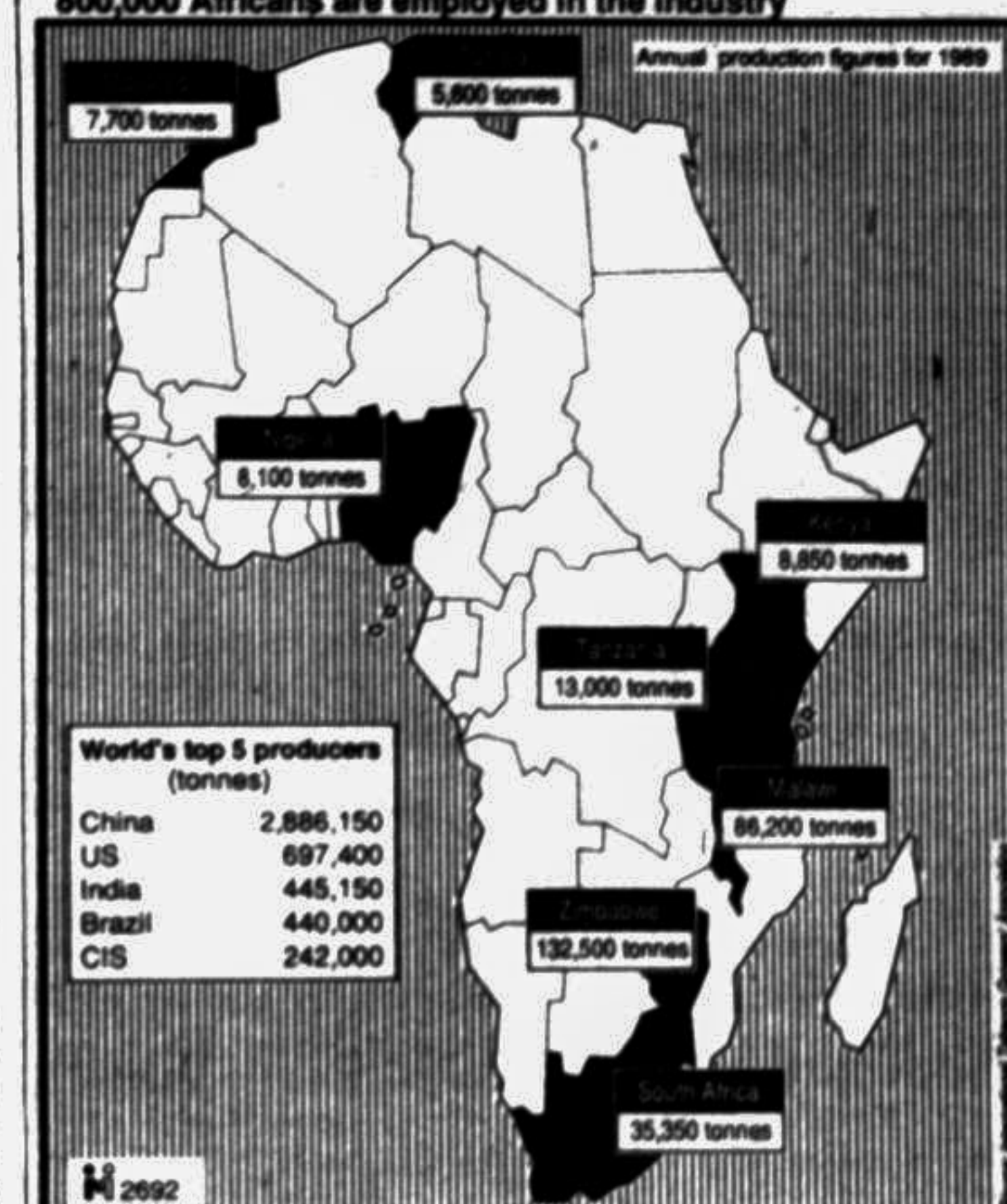
The new president of the Tobacco Association says: "We do not believe the arguments will have much impact in stopping people from smoking. The price of cigarettes is the only factor which we know has an impact."

This would seem a promising avenue for the anti-smoking lobby to follow. According to ITGA, total world government revenue from tobacco taxation in one year recently amounted to \$100 billion. Why, the anti-smokers might well ask, not double the figure and make it \$200 billion? It sounds like the answer to the prayers of every minister of finance in the world.

— Gemini News

Africa: top tobacco growers

Africa produces 336,000 tonnes of tobacco each year 800,000 Africans are employed in the industry



induced closures of factories — from sugar to cotton spinners — tobacco is about the only bright spot on the commercial scene in Zimbabwe.

But the industry is under attack from the medical profession, ranging from the World Health Organization down to the Minister of Health, Welsh-born Dr Timothy Stamps, and the Zimbabwe Medical Association (ZIMA).

In a statement for No Smoking Day recently, ZIMA drew attention to the health risks of smoking. It anticipates a "rapid increase in mortality from smoking-related disease" in countries like Zimbabwe. It urges that "research be undertaken on alternatives to tobacco or alternative uses, so that in the event of a slump in world demand, farmers will still have profitable export crops."

At present there seems little prospect of a slump in demand for tobacco. In fact the ITGA, in their glossy reports, makes much of the 1989 UN Food and Agriculture Organisation's projection that demand will "increase at an average rate of some two per cent through to the year 2000."

When the ITGA asked Oxford University economists to prepare a report on alternatives to tobacco farming the result was a foregone conclusion. While they admit there are "a range of possibilities in the substitution scenario," their final conclusion is that "rapid and widespread substitution is neither possible nor desirable from an economic or social standpoint."

The economists found that Zimbabwe has in fact discovered some viable alternatives to tobacco. These are in the rapidly expanding horticultural sector which recently announced \$2200 million worth

tobacco farmers for moving out of maize growing. This year outgoing Tobacco Association President Michael Taggart warned the annual general meeting that members must grow more food crops.

Obviously the billion dollar tobacco exports will help the government pay for its massive food import bill. But how much

In the midst of a drought that is ruining food crops and closing factories, the tobacco industry is turning a huge profit in Zimbabwe. While health officials urge the government to find alternatives crops for tobacco farmers, Gemini News Service reports that it will be difficult to convince anyone to stop growing such a profitable "loathsome weed."

of that bill is due to many tobacco growers cutting their maize hectares? The maize-tobacco equation is a difficult one to make because in a year of drought the effect on tobacco is largely delayed.

This is because most flue-cured tobacco is planted in seedbeds in winter and that is where most of the irrigation takes place.

It will be interesting to see how next year's crop is affected by the shortage of water from the current seedbeds just being planted.

Maize in Zimbabwe is almost exclusively rain-fed and so, is most vulnerable to drought, particularly at certain points in its growth. Where questions need to be asked is in the area of pricing.

China Building Vast Network of Expressways

by Zhang Qi

HERE comes a vast network of expressways along China's coast.

It will link industrial centres as well as increase mileage in a country with one million kilometres of roads, but which are mostly blacktop and not wide enough for a fast-track economy.

And for Liang Rentian, the road couldn't be better. He is not exactly a speed freak, but ever since he became a professional driver at 18, he dreamed of driving as fast as possible.

For most of his life, Mr Liang, now 50, had to be content with 120 kilometres per hour, maximum. Until last September when the Shenyang-Dalian expressway opened.

"The top speed I hit on the road was 180 kph, but was most comfortable at 140 kph," Mr Liang beams. And for commuters in this city, capital of Liaoning province, northeast China, travel is now on the fast

lane as well.

The 375-kilometre Shenyang-Dalian expressway is the latest and longest in China. It has reduced travel time between the two cities from 12 hours to four.

The opening of the motorway brought the total length of expressways in the country to about 460 kilometres. "That's not a great number, but it marks a good beginning," says Zhou Ming, an official in the Ministry of Communications.

It was only in 1984 when China started to build its first expressway. The road network currently extends to nearly one million kilometres, but most of them are paved with macadam and only four to eight metres wide.

China started hitting the fast road to complement its fast economic strides in the 1980s. Now it feels that to maintain momentum, even more roads are needed. Its ever-increasing population, too, (now 1.16 billion) has made traffic in some areas intolerable. In the most thickly populated cities, vehicles at times travel a maximum of 30 kph.

This year will see the completion of the 142-km Beijing-Tianjin-Tanggu expressway in north China. It will be the first expressway in the country built according to the standards of the Federation Internationale des Ingenieurs-Consells, an international association that supervises expressway construction.

More are coming: the 272-km Haikou-Sanya expressway in Hainan province; the 302-km Shenzhen-Guangzhou-Zhuhai expressway in Guangdong province; the 300-km Shanghai-Hangzhou-Ningbo expressway in Zhejiang province; and the 280-km Shanghai-Nanjing expressway in Jiangsu province.

All the expressways traverse China's coastal areas because, according to Mr Zhou, "further development in these industrial areas will speed

economic progress throughout the nation."

Here in Shenyang City, the expressway to Dalian City connects major industrial cities in Liaoning province, including China's largest iron and steel centre in Anshan, the petrochemical complex in Liaoyang and the port city of Dalian.

One official calls the road "a runway for the take-off of the Liaodong Peninsula's economy." The Shenyang-Dalian expressway will be extended from Shenyang to Benxi, another industrial city 80 km away. An 85 km expressway belt will also be constructed around Shenyang itself.

China's first expressway was built in 1988 near Shanghai, the country's largest industrial city. The 20-km Shanghai-Jiading expressway, with four lanes and a designed speed of 120 kph, significantly eased traffic in the area. Then followed another 20-km expressway, from Shanghai to Songjiang.

Then came the 23-km Guangzhou-Poshan expressway in Guangdong province, south China. This will be extended some 200 km to link Guangzhou with Zhanjiang, a rising city in southwestern Guangdong. Another expressway links the 23-km distance between Xi'an and Lintong cities in Shaanxi province, northwest China.

All these fast roads are expensive. The Shenyang-Dalian expressway, which was constructed in six years, cost 2.2 billion yuan (US\$468 million).

The Beijing-Tianjin-Tanggu expressway which will open this year costs about US\$213 million. It is the first expressway in China funded with World Bank assistance amounting to US\$150 million. Part of the loan will go to import construction materials and equipment.

The average cost of building one kilometre of expressway is about 12 million yuan (US\$2.5 million). "This is beyond the financial capability of the central government," says Mr

Zhou. The central government provides funding only for national defence roads along the borders. Construction of other roads, including expressways, is mainly funded by local administrations.

This subsidy is collected from a sales tax on new motor vehicles. But that is not much, with collections amounting to only about 2 billion yuan (US\$425.5 million) a year.

To help local administrations cover construction expenses, the central government permits them to charge tolls on expressways they have built.

That's not small change to Mr Zhou, "considering the fact that the designed capacity of expressways in China is on average 35,000 vehicles a day."

— Depthnews Asia

Women : Worst Victims of Rural Poverty

SHE works 14 to 17 hours a day to support her family. On top of that, she has to prepare food for her brood often without a man to help.

Denied access to credit with which to improve her lot, she has to work even harder to provide for her family. In the process, she gets poorer and worn out.

She is the new picture of the rural women that emerged from a survey on female poverty conducted by the International Fund for Agricultural Development (IFAD).

Covering 114 developing countries, the IFAD study was the major working paper presented at the first Summit on the Economic Advancement of Rural Women held in Geneva recently.

The survey placed the number of rural women now living in poverty at some 565 million. A good majority of them, 363 million, are in Asia. Africa accounts for about 130 million. Some 43 million live in Latin America and the Caribbean and 18 million in the near East and North Africa.

Commenting on the survey

results, IFAD President Idriss Jazairy said the face of rural poverty is increasingly female. "Poverty among rural women is increasing much faster than among males."

The survey noted the alarming increase in the number of women acting as bread-win-

tion of this is that half of the food grown in the Third World is produced by women. In Africa, women produce 70 per cent of the food grown.

"In short, women by their labour outside the house are vital elements in sustaining life in the poorest areas," said Mr

There are some 565 million rural women living in poverty. A good majority of them, 363 million, are in Asia

ners and sole heads of their households. Numbering about 66.2 million, they take care of roughly 33 million other family members. Of this number, 16 million are landless and least able to bail themselves out of poverty.

Bangladesh, for instance, saw a three-fold increase in the number of women headed households, from 5-7 per cent 20 years ago to 16 per cent. In Cape Verde, the number has doubled over the same period.

Because of this, labour force on family farms has become increasingly feminised. Indica-

te that rural development assistance and overlooked by institutions supposedly working to improve the rural economy. The survey cited migration of males to urban areas and to richer countries abroad as the main reason for the increase of women-headed households. Other causes include widowhood, divorce and disintegration of family bonds.

"Clearly, in these countries, the women-headed households constitute the most important target of poverty-alleviating investments," Mr Jazairy pointed

out. And with the right assistance, these women could yet overcome their disadvantaged position (as poor as women and as single heads of households) and contribute to the household, the community and the future generation through their impact on their children, he added. Mr Jazairy told the summit that steps will have to be taken quickly to ease the burden of poor women in rural areas. Otherwise, he warned, population growth will worsen the problem.

By the year 2025, world population is projected to increase to 8.5 billion and 7.1 billion will be in the developing world.

As Mr Jazairy put it, "population growth will hit the poor harder, especially the women, thus widening the differences between the disadvantaged groups and people in the mainstream of national development."

Clearly, these women must be helped to meet obstacles far greater than men, Mr Jazairy pointed out. — Depthnews Asia

No EXCUSE...

THE EARTH HAS ENOUGH RESOURCES FOR ITS SUSTAINED DEVELOPMENT.

THESE RESOURCES, HOWEVER, MUST BE USED WITHOUT ENDANGERING THE ENVIRONMENT, AND FOR THE RIGHT PURPOSES: ► TO IMPROVE CONDITIONS OF THE WORLD'S 1.1 BILLION POOREST PEOPLE. ► TO MEET THE NEEDS OF THE THREE BILLION WHO ARE NEITHER RICH NOR VERY POOR.

THERE'S NO EXCUSE FOR THE UNWISE USE OF THE EARTH'S RESOURCES.

DEPTnews