

Draft Treaty on SAPTA

We would like to congratulate the visiting Sri Lankan President, Ranasinghe Premadasa, for so boldly putting forward the idea of South Asian Preferential Trading Agreement (SAPTA). The Chairperson of SAARC termed the idea as 'the first major step towards an eventual economic community in South Asia.'

However, there are several issues that need to be thoroughly examined before we start implementing SAPTA. In this regard a step by step approach is what we think will be most judicious. The first question that will have to be examined is the impact of SAPTA on the so-called weaker regional economies.

We must realise from the very outset that for the SAPTA to have any chance of getting off the ground, it will have to have the total support of the private sector. We must also remember that the private sector cannot be forced or goaded into going for it. It can only be made to participate in SAPTA, if it results in greater profit.

SAARC really needs to gear itself up to doing something in the economic field. We are happy to note the emphasis in these areas in the pronouncements of the Sri Lankan President. But we cannot but point out that there has never been any dearth of intentions and plans in SAARC.

Happy Vijaya

Devi, as she is more popularly known all over the subcontinent, represents the victory of the forces of light over that of darkness, of good over evil. The demons Madhu and Kaitabha and the more dreaded one, Mahisha, all were prevailed upon by the gods' supreme armour of a woman unto whom one till today prays 'Devi devi saubhagya arogyam, devi param sukham/Roopang devi jayang devi yasho devi dvisho jah'

It was in the genius of the people to make an utterly loveable and homesick young bride of that most formidable character. When invoked by the name of Durga — the martial connection is still retained. But it is Uma who comes on a 'natyot' trip to her father's place in the Eastern Himalayas from her groom's abode in Kailasa, on the western arm of the range.

The good and evil dichotomy came to scriptural celebration in Zarathushtra's idea of Ahura Mazda and Ahriman, the god of light and that of darkness. — the direct predecessors of the Judeo-Christian duo of god and satan. The same has a subcontinental reincarnation in the struggle between Devi Durga and the demon Mahisha. Like they enjoyed in Zarathushtra Persia and the mythical Scandinavia — regardless of what it should bring for you. You must work for the victory for whatever stands for light. Whatever represents the just and right. If the myriad and endlessly degrading human conflict have any meaning in them it is in this that the way of life is asserting to prevail over shortsighted aggrandisement of the individual ego.

The New World Order and International Economic Development Issues

If there was one phrase which featured unflinchingly in the statements and speeches of all Governors in last year's Bank-Fund meetings in Bangkok, it was 'the New World Order.'

The economic and development issues facing the world and the developing countries in particular in the 90s, have been flagged in the recently concluded Bank-Fund meetings almost entirely by the developing countries and international organizations. It would be useful to recount them, if not for anything else, at least for keeping track of the issues.

The most serious impediment to the revival of an environment of hope is the anemic recovery in the industrial countries though a regime of low inflation appears to have been established. The imbalance between their monetary and fiscal policies is glaring in almost all industrial countries. The need for coordination of their macroeconomic policies have been urged by all including themselves, but domestic political issues have gained the upper hand and are posing serious constraints.

heavily indebted middle-income countries, the low-income countries particularly in Africa, continue to be under severe strain from debt burden, distorting their investment and social priorities. The poverty situation and structural problems in Africa remain daunting. After a decade of concentrated technical and financial assistance from bilateral and multilateral sources, impact on economic growth remains muted and there is widespread stagnation.

The Ministers of the Group of 24 representing the developing countries made it clear that the policies of the industrial countries' have undermined the development efforts and policy reforms of the developing countries. Coordination of the industrial countries policies seem to be the most important prerequisite for arresting further deterioration of the situation.

Measures for attracting foreign direct investment remain an integral part of all policy reforms and structural adjustment in all Bank-Fund programmes. But so far success in the case of low income countries has been scanty. There has been a rebound in foreign investment in the past couple of years...

politics and trade policies of the industrial countries. Only this could help restore a supporting international environment and increased concessional financial flows from the international community. An important decision taken at the Development Committee is to carry out an annual review of the interlinkages between policies of industrial and developing countries. Such review will particularly focus on trade. The World Bank and the International Monetary Fund have been advised to undertake and publish on a regular basis their assessments of the impact of changes in world trade patterns on the developing countries.

M Syeduzzaman writes from Washington

economic policies pursued by both developing and industrial countries. While domestic savings and efforts play the dominant role in mobilization of investment resources, bilateral and multilateral aid have the most critical role. In addition, trading opportunities, foreign direct investment, commercial bank lending, and appropriate debt strategy will help to enhance resource flows.

The problems of the Eastern European countries and countries of the former Soviet Union are daunting beyond measure. They are struggling to achieve an environment of fiscal and monetary stability, resumption of growth, and setting up of appropriate institutional arrangements in pursuit of market economy. They have been urged by all donors and aid institutions to pursue macroeconomic policies and structural measures in a closely coordinated manner. To meet the technical assistance needs of these countries, which has been assigned the highest priority by the industrial countries, the G-7 have asked the World Bank to form a technical assistance support group, particularly for Russia to coordinate bilateral and multilateral technical assistance.

Undoubtedly the IMF will need more resources to respond to the situation. This calls for speedy completion of the ninth quota review. Otherwise the Fund's liquidity position will come under pressure quicker than anticipated, impairing its capacity to help these countries. Completion of quota review is being delayed the Fund and the donor countries to establish a concessional successor to the ESAP. The Fund Executive Board has instead decided to review the effectiveness of ESAP programmes and to examine the options and operational modalities of a possible successor facility. But there was no positive indication from any of the donors in support of ESAP's continuation.

Although total resource flows to the developing countries increased only moderately in real terms in 1991, they are still far below the levels achieved in early 80s. Deep concern was expressed about the emerging trend of net negative transfers from the Bank to its borrowing countries. Concern was also expressed that after 25 years of appeals for increasing ODA to 0.7% of GNP and promises, the overall ratio of official development assistance to GNP is still only 0.34%. Some industrial countries undertook at the Rio Conference to attain the target by the year 2000, but that was before the recent events.

by major industrial countries, notably the USA. US-IMF relation is not the best at this time, which may further complicate the matter.

The industrial countries are still opposed to a fresh allocation of SDR which could be very useful at this time, particularly for the Eastern European countries and countries of the former Soviet Union. There is complete reluctance to take any decision on this though the Interim Committee requested the Fund Executive Board to keep the role of the SDR in the provision of international liquidity under review. The resources available for low income countries under the enhanced structural adjustment facility (ESAF) are about to be exhausted. It has been decided by the Fund to extend the period for the commitment of ESAF resources to end of November 1993, when the current facility will lapse. The G-24 Ministers strongly urged

tial amount of resources if the decisions taken in the Rio Conference are to be implemented. Donors will have to take concerted action and share responsibilities in an enlightened manner.

IDA, which is the largest single source of concessional assistance for the low-income developing countries, is facing uncertainty. The current negotiations for IDA-10 are supposed to be completed by the end of 1992, but the prospects seem to be in jeopardy. IDA management is pleading with the donors that IDA-10 should be at least equal to IDA-9 in real terms (SDR denomination) — roughly \$18 billion dollars. Including rollovers of past IDA credits the minimum size of IDA-10 has been proposed at the level \$20-21 billion dollars. The recent currency turmoil and its after effects have made the IDA prospects really complicated. There are new claimants for IDA resources, new eligible members, some countries in Africa have

management of these institutions, the prospects do not seem at all promising after the recent events. A further anomaly is the prevailing distortion in allocation of ODA. The bulk of ODA still goes to the middle income countries, low income countries receive much less than 50%. If the low income countries are to make any breakthrough in reduction of poverty and human resource development, the resources allocated to them will have to be substantially increased. While the East European and CIS countries are receiving attention, resource needs of socialist countries in Asia (Burma, Cambodia, Laos, Mongolia, North Korea, and Vietnam with combined population greater than East European countries) who are or will be moving to market economies are not taken into account.

Measures for attracting foreign direct investment remain an integral part of all policy reforms and structural adjustment in all Bank-Fund programmes. But so far success in the case of low income countries has been scanty. There has been a rebound in foreign investment in the past couple of years after a pronounced slack, but the major share is being preempted by emerging markets in middle income countries, particularly in East and Southeast Asian NICs.

Though countries like India and Pakistan have mounted significant marketing measures, they will be facing tough competition from the countries of the former Soviet Union, East European countries, and some emerging markets in Indochina. The need for additional measures have been highlighted to add to the resource flow. On the basis of requests made earlier by the Development Committee, the World Bank has now prepared Investment Guidelines which will soon be published. These guidelines have been prepared to promote fair and equitable international standards for the general treatment of all foreign direct investment in the absence of applicable treaties, and should be of particular value to developing countries. It has to be born in mind, however, that the capacity of many developing countries for absorbing private investments will depend significantly on the continued inflow of substantial external assistance for infrastructure development and the maintenance of a free and fair trading environment for export growth.

While the Development Committee highlighted the need for looking again at the totality of resource transfers to developing countries, admission of the states of the former USSR into the Bretton Woods institutions will demand that the job be accomplished while continuing to support the efforts of their traditional borrowing members. Though there has been no dearth of assurances from most of the donors as well as from the top

other basic foodstuffs — as well as Georgian exports to Russia — have been interrupted for the past 10 days because of the conflict.

In the past few months, Georgia has suffered a loss of an estimated 13 billion roubles as a result of the troubles. Armenian losses are estimated at seven billion roubles. "Something has to happen," says Glogoberidze. "Otherwise we will have to use military force. We are preparing for war."

The cry for law and order has been reinforced by increased crime in Tbilisi as a result of police forces being dispatched to Abkhazia. Georgians are fearful of going into the streets after dark. Friends call each other after returning home in the evening as a means of ensuring that they arrived safely.

At the same time, shortages are highlighting the economic crisis. Flights from Tbilisi are regularly canceled because of lack of fuel.

"Everything has got worse here," says Gagnitze, a 49-year-old worker in a cooperative. "Under Stalin we had everything. In the old days we would not eat meat if it was not fresh. Now look at what we have. The shops would be full if Stalin were in power."

Georgia: Nostalgia for Stalin

With recent political changes bringing them only economic misery and conflict, Georgians are hankering to be led again by a strongman with a moustache. James Doresy of IPS reports from Gori, Georgia



ers, headed by Parliament Speaker Vladislav Ardzinba, regrouped their armed forces in Gudauta, 50 km north of Sukhumi.

The confederation warned that it would turn Tbilisi into a "area of terror and danger," adding that every Georgian

living in the Northern Caucasus was a "potential hostage." It went on to say that the confederation was sending volunteers to Abkhazia to reinforce the rebel forces.

Responding on Georgian television, Shevardnadze said this week that if the confeder-

ation carried out its threat he would be forced to order a general mobilisation of Georgian armed forces.

"Speaking in the state council, an exhausted-looking Shevardnadze said the confederation's statement was a "declaration of war" and a "plot against Georgia." He said he had written to United Nations Secretary General Boutros Boutros-Ghali asking for UN observers to be sent to Abkhazia.

Shevardnadze said Georgia was stepping up security at government buildings and installations, as well as at radio and television stations and the airport.

State council member Lana Glogoberidze said Shevardnadze is on the telephone daily, trying to persuade Ardzinba to return to Sukhumi as president of Abkhazia, and to allow Abkhazian forces to defend the railway. Demanding independence for Georgia, Ardzinba has so far rejected Shevardnadze's proposals.

"We cannot afford, economically or morally, a long-drawn out conflict," says Glogoberidze, noting that Georgian imports of Russian cereals and

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.

Sick industries

Sir, A lot of discussion is going on in all possible forums about the sick industries. Editorial in your paper on 2nd Sept was also comprehensive in the appraisal of the situation. A few relevant points are referred to here though for many this will be boring repetition.

While some of those 40,000 sick industries were victim of 'circumstances beyond their control', many were definitely not so. It is now open secret that capital cost used to be inflated to make profit (in the form of over invoicing) even before installing the machines. The products from such industries

plants could not compete with the equivalent ones imported from abroad. If such entrepreneurs are now given assistance to rehabilitate their projects without explaining earlier conduct, honest entrepreneurs and future investors will wonder whether honesty is really the best policy.

Management and technical cadres will have to share the burden of responsibility for turning many a projects sick. The tendency in our country is to blindly increase the price to adjust the operating losses. It is for the management and the technical people to come up with alternates and suggestions to reduce the cost of

production. A recent example is the increase in the price of newsprint. There are paper-makers and cost accountants in BCIC who have the competence to pinpoint factors responsible for such high cost, almost highest in the world, of producing newsprint from cheap raw materials. But possibly their voice is too far from the seat of power.

Consumer goods industries in the public sector are said to lose whereas similar ones operated by multi-nationals are making fabulous profits. Of course, some public sector projects are announcing profit, even while operating at, as low as 50% operating efficiency. Let us analyse a recent news item: Purchasing cement clinker at about \$50 per ton the Grinding Factory is selling the finished cement at over \$100 per ton. Taxes, grinding and bagging are the major expenses involved which surely do not cost as high as \$50 per ton. No wonder Tk 6.5 crore profit can be earned even

though the plant operated at little over 50% capacity. The public sector projects are thus providing price support for private sector profiteering and spreading the virus of sickness all over the industrial spectrum.

Our entrepreneurs, the honest ones included, have little faith on technocrats. They have no time or money for the technical people to fiddle with. There are graduate or so unemployed 'nephews' who can be more trusted than a trained cost accountant or industrial engineer. In public sector, departmental or cadre politics (for battle of supremacy) always favours the ones who have least idea about industry. In these circumstances the management/technical cadres can not flourish which in turn inhibits the creation of an industrial culture.

Unfair and incompetent trade union practices also contribute towards the sickness of a project. A particular point of

recent controversy is the central control in determining wages under a declared policy of free economy.

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Justice sought

Sir, Recently, a very grisly murder had silenced a meritorious second-year student of Dhaka College for ever and had rattled down all the best dreams he himself and his parents had been nurturing for nearly two decades. The fact that he had been murdered allegedly by some shop-keepers of a shopping centre and the police taking position there had taken no actions against the alleged murderers is unbearably outrageous.

As the aggrieved and agitated students of Dhaka College resorted to violent demonstrations to register their unmitigated anger, a large contingent of police was

deployed near the aforementioned shopping centre. The policemen were apparently protecting the shop-keepers but they did not arrest any of the murderers then. We want to say that the policemen and the persons responsible for police in-action had committed unpardonable offence by not swooping down upon the alleged murderers then and there.

As our bitter experiences tell us, the police never go to any people's protection unless they are rewarded 'otherwise' or are ordered by the politicians having influences in the Administration. Protecting property and innocent people is a sacred duty of the policemen, not pardoning the murderers.

We protest the blatant violation of all our ethical and moral values by the businessmen and the law-enforcement agencies. We demand justice.

Vox populi Hubert Sarkar