

Timely Warning

The Government of Begum Khaleda Zia had a number of timely warnings from different, but inter-related sources on Tuesday on the current economic scene in the country.

The most important of all these signals came from within the administration when, at a crucial meeting of the National Economic Council (NEC), the Secretary of the Planning Ministry, Mohammad Harunur Rashid revealed that only 46 per cent of the revised Annual Development Programme (ADP) for 1992-93 was spent until March this year, meaning, during a period of nine months, starting July, 1992. During the remaining three months, we may marginally improve on the performance, but there is a consensus that as much as 54 per cent of the total ADP budget may remain unspent. Meanwhile, the budget for 1992-93 has been slashed by Tk 529 crore, while providing funds, which have not been specified, for 89 new projects.

The figures released by the Planning Ministry hardly show much, if any, improvement on the implementation of the ADP for 1992-93 as compared to that of previous years when, as we know, the utilisation of funds available for development had remained unimpressive. The disappointing performance during the current fiscal year is certain to cause dismay among experts mainly because, on the face of it, the monitoring of development activities had been more regular, with both the Prime Minister and the Finance Minister, not to mention other members of the government, indulging in exhortations on the need for speeding up the development process. Then, the question is, what did go wrong?

One answer came from the Prime Minister herself who, at the NEC meeting, was forthright enough to name as many as seven ministries whose performance was described as "unsatisfactory". These ministries ought to be identified here, because it is their performance—or the lack of it—which have been responsible for the ranking of Bangladesh at the 147th position, as against the 135th place in the last report, in the annual Human Development Index (HDI), released by the UN Development Programme (UNDP) also on Tuesday. The offending ministries include Education, Health, Forest and Environment, Irrigation and Energy, just the agencies whose sustained commitment to their projects would very well decide how Bangladesh should figure in HDI, at a pathetically low position, as is the case today, or at a place that brings credit to the country and its government.

Apart from placing Bangladesh at the 147th position in HDI, the UNDP Report has offered a number of criticisms and suggestions as to how this country can make the best of decentralisation programme undertaken by the government as well as of the support to the private sector, both of which have been endorsed by the UN agency. However, without evading the issues, the Report has criticised the administration for "a distinct lack of concreteness" and has suggested that it should address the question of sector-based planning in an economy increasingly regulated by market forces rather than by official fiat. We urge the Prime Minister to take serious note of these suggestions, especially because the Human Development Report basically relates to the reduction of the poverty level, which remains one of her principal objectives. At the same time, the Prime Minister will be well advised to discard exhortations, even well-publicised reprimands, in dealing with offending ministries in favour of a system of punishment and rewards. No ministry—indeed, no Minister, however senior he (or she) may be—should be allowed to get away with a poor performance at the cost of the country or of its hard-earned foreign assistance. At this stage, we feel reluctant to suggest what Begum Zia should do to halt the drift. The choice is entirely her own.

Passing of a Great Singer

Ustad Fazlul Huq, the popular classical singer, died at his village home in Jamalpur yesterday. Death did not come too prematurely for him. He was 62. He was, nevertheless, ailing for a long time and end came to his life of art long before death claimed him. Given little social support both of these unfortunate things could perhaps be avoided for at least some years. Social support in such cases comprises mostly governmental attention which in Fazlul Huq's case did not materialise in a manner that could prolong his active artistic life.

Fazlul Huq was more a 'natural' than a well-groomed vocalist after the best of subcontinental tradition. Although he did not go far into the mysteries of our raga-based forms of *dhruwad* and *khayal* or even of *thumri* in which he was supposed to have specialised, it was a rare treat to listen to his music. He had a lovely sonorous timbre which he used to profit with the help of a very open definition. All told, his songs enchanted his listeners in no time and kept haunting their memories for a long time afterwards. He was a performer par excellence.

In recent times any votary of our classical traditions in music is called an 'ustad'. To designate Fazlul Huq by the same epithet would at once be wrong and a disservice to his memory. An 'ustad' is a teacher who may not be the kind of performer Fazlul Huq was. An 'ustad' is a vastly learned person in his own art who spends his life grooming performers, something that would not fit with Fazlul Huq's achievements. It is no mean thing that he, with his incomparable style of singing reminded many of the legendary 'Moujdeen', the great singer of the opening decades of the century who didn't get much of musical education and would not also very much care for such. We compliment Huq's achievements for being in line with Moujdeen's. Had the former only been privy to the musical world the latter belonged to, much greater things could we have gotten from Fazlul Huq. Whatever height he reached up to, he did in a non-musical—almost anti-musical—milieu himself.

Some believe that the unforgettable singer wasted himself to a sad end through some unfortunate excesses. There shouldn't be any necessary connection between a life of art and alcoholism. The latter is a malady growing often from frustration in life—of which Huq seemed never to be in short supply. Artists sustain the society more than the politicians or economists do. Society owes them a debt of gratitude that must be paid through caring for them against such meaningless wasting. It makes us sad to think that society could not acquit itself well in the case of Fazlul Huq. We send our sincere condolence to his bereaved family.

THE recently concluded annual meeting of the Board of Governors of the Asian Development Bank (ADB) in Manila has focused on the strong support for doubling the capital base of the Bank so that it could expand its lending programme in the Asian region. Banks such as the ADB gear their lending operations to their capital base so that the volume of lending of an organisation such as the ADB is not expected to exceed its subscribed capital by its members. Doubling the capital base through further capital contributions thus proportionately raises the Bank's lending capacity.

For the ADB to expand its lending capacity is not surprising since its borrowing members constitute the most dynamic developing region in the world. Virtually all of these members have gone through far-reaching programmes of reform including its Communist members, China and Vietnam. Whether due to their reforms or other less analysed variables, most countries in the Asian region registered impressive gains in their economies during the last decade. Whilst the East, followed by the South East Asians (except Philippines) economies have performed outstandingly well, even South Asia, with some laggards, has registered an improved performance which puts them ahead of most developing countries outside the region.

Some of these economic gains have owed to ADB investments in the development of these economies. There is every likelihood that not all ADB projects have been well designed or achieved the expected results. There is however little doubt that as a multilateral lending agency operating in the Asian region, it is more likely to hold a sound portfolio of loans, a good investment, than would be the case with similar multilateral lending agencies elsewhere. Indeed the ADB, which borrows in the global capital market to support its lending programmes commands the highest (Triple A) rating as a borrower in good standing in the market. Thus the move to double the capital of the ADB, spearheaded by the Japanese,

The Veto at the ADB: Troubling Portents for US-Third World Relations

A Star Special

by Rehman Sobhan

appears to make good business and economic sense and was naturally supported by most of the members at the recently concluded Board meeting in Manila.

This enthusiasm for expanding the capital base year was especially important because a similar measure to increase the capital base had been frustrated at last year's Board meeting and the ADB had legitimate apprehensions that failure to obtain the increase this year would reduce the volume of its lending programmes next year.

The reason why the move for a capital increase was frustrated both last and even this year was due to the opposition of the United States. The US Governor to the Board strongly opposed the move last year. This was in keeping with the policy of the Republican administration which had been reluctant to support increases in the capital base of both the World Bank and IMF. Their motives for this negative move were in part the pressure from Congress to make expenditure cuts in the face of the massive US budget deficit. Foreign aid, even in the form of subscriptions to multilateral institutions, has for a long while been under criticism in the US. This was partly to the view, particularly in Congress, that foreign aid is being misused in developing countries, but it also reflects a disillusion in the US with the global multilateral system. The view prevails that if the US is to give money to the developing world it is better to do so bilaterally. Aid bilateralism can be much more selective in its use of funds to support the strategic allies of the US such as Israel and can exercise greater ideological influence to persuade countries to reform their economies. Thus US aid as well as access to the US market can be used as effective levers to gain both commercial and strategic advantage from the dispensation of US economic patronage.

That the World Bank and the ADB should have been ex-

posed to these political concerns of the US is more surprising because over the last decade the management of these agencies have been aggressive in promoting the market/privatisation ideology proselytised by the US administration and have used their much more sizeable lending programmes, compared to the more modest resources of a budget constrained US administration, to push these reforms within the Third World and in the post-Socialist regimes of Europe.

The fact that the US has budget problems which constrain its capacity to subscribe to the capital of the ADB should normally be of little consequence if all other members are willing to contribute to the capital subscription of the ADB. Indeed both last and this year in Manila most other members were quite willing to increase their subscription to the ADB. The Japanese who alone control 17.5 per cent of the capital of the ADB would have been more than willing to double their contribution to offset the US shortfall. Japan has indeed always seen the ADB as their main area of operation in the multilateral system and have by convention monopolised its presidency since the inception of the Bank.

This quite logical response to the financial difficulties of the US was however frustrated both last and this year by the US for the unpublished reason that if other members increased their subscription and the US did not this would modify the balance of influence in the ADB by reducing the voting rights of the US in the Bank which is calculated on the basis of the share of the capital subscription of each member. The US also has a 17.5 per cent share of the ADB's capital which buys it a great deal of leverage in the Bank's affairs. Thus if all mem-

bers doubled their capital, the US contributed nothing and Japan took up the US share of the new subscription, the US voting rights in the ADB would come down from 17.5 per cent to 8.75 per cent whilst Japan's share would rise from 17.5 per cent to 26.25 per cent. Successive US administrations have found this prospective loss of power in the ADB particularly to Japan, politically unacceptable. A similar political logic had until recently driven US to oppose capital increases in the World Bank which were backed by most of its OECD partners.

This shortsighted approach by Washington to multilateral diplomacy derives from the compulsion to have a dominant say in directing the policies of the multilateral bodies which US administrations have sought to use to serve its ideological and strategic interests. Apart from the aggressive promotion of its support for markets and privatisation at the ADB, the US has over the last several years vetoed the ADB's resumption of lending to Vietnam even though this country has undertaken one of the most extensive programmes of market oriented reform of any country in the region. After Vietnam's withdrawal from Cambodia, many governments from the OECD countries, particularly Japan, who had suspended any investment in Vietnam after its invasion of Cambodia in early 1979, were willing to resume aid to Hanoi.

ADB itself has been anxious to resume lending to Vietnam, having sent many economic missions to the country. But such lending by the ADB continues to be vetoed by the US government, on the manifestly spurious argument that the Vietnam government had not accounted for US military personnel missing in action (MIA) in Indo-China during their 15-year intervention in the

Vietnamese civil war and that some may even now be held captive there. Many such visits by US officials and Congressmen to Vietnam to locate these MIAs have amply demonstrated that the Vietnamese, who themselves even today cannot account for 15,000 of their own MIAs, are concealing neither live nor dead American MIAs. However, the US, up to the recent ADB Board meeting, continued to veto ADB lending to Vietnam. We thus have the ironic situation that, in response to the reforms and commitment of the Vietnamese government, private capital from Japan, East and South East Asia, even Europe is moving in sizeable quantities to this country, but little of the vital aid needed to restore Vietnam's war-devastated infrastructure, is reaching the country.

This seemingly vindictive attitude of the US towards one of the few countries which militarily withstood the might of the US is in marked contrast to the more generous dealings of the US with their former World War-II enemies, Japan and Germany. Such discriminatory treatment of a small underdeveloped country, which has undergone severe reforms at the cost of much economic hardship, has been appreciated neither by the Vietnamese people, now anxious to make friends with the US, nor by the allies of the US.

What is perhaps both unfortunate and inexplicable is that the Asian Development Bank, a multilateral organisation, invested with a development leadership role in Asia, should have permitted a power external to the region, albeit a superpower, to frustrate a multilateral organisation's financial and lending programmes for purely selfish political reasons. What is even more regrettable is that the new Clinton administration should have perpetuated the policy of its Republican predecessors. The developing world indeed looks to the new Democratic regime to take a more statesmanlike, less ideologically and strategi-

cally motivated approach to its relations with the Third World. At the ADB there is some hope that the Clinton administration will indeed adopt a more flexible position in its relations with the Third World and thereby towards such agencies as the ADB. But for the moment it looks as if the administration has not even begun to devise a strategy to govern its economic relations with the Third World. This negligence on the part of the Clinton administration needs to be rapidly corrected.

As it is the US is now the main competitor of the Third World for the global capital surpluses of which it has consumed nearly \$1000 billion in the last decade to finance the US deficit. To frustrate, through its veto in the multilateral bodies such as the ADB, such attempts by other countries to lend to the Third World is likely to reinforce the growing concerns of a capital starved Third World over the uncertain nature of their economic relations with the US. Unless the Clinton regime moves rapidly to redefine a more sympathetic pattern of relations with the Third World, these countries will be compelled to conclude that in a unipolar world the United States, whether ruled by Republican or Democrat, cannot transcend its traditional imperial perspective towards the Third World and moderate its own parochial interests for building a more just and thus more sustainable global order. If such indeed is to be the reality of the global system, in the decade of the 90s then it makes eminent sense for the countries of Asia to respond to the initiative of such Asian leaders as Dr Mahathir Mohamed, Prime Minister of Malaysia, to move towards building a more autonomous Asian economic community which uses the immense strengths and greater promise of the region to build a new Asia, serving as the centre of the economic universe in the 21st century.

The writer, a noted internationally known economist of the country, is former Professor of Dhaka University and a Director General of the Bangladesh Institute of Development Studies (BIDS).

Double Standards may Destroy UN, Say Analysts

by Lucy Johnson

THE most decisive message issued by the United States regarding Iraq said 'continued defiance of United Nations resolutions will not be tolerated. We stand ready to take additional action with our coalition partners'.

These were the forceful words with which the US and two of its coalition partners launched their first air strike on Iraq in the closing days of the Bush Presidency.

Throughout the aerial bombardment in the days since then, the US has continued to portray itself as doing the United Nations' dirty work in forcing Saddam Hussein to comply with ceasefire resolutions.

But murmurs of discontent among permanent members of the UN Security Council, culminating in a hastily convened meeting to review the allies' action in the Gulf, led to questions among Western analysts and Third World observers over just who is calling the shots in the UN.

While many analysts argue there is a strong case for the UN to act as arbitrator in the conflicts that have sprung up around the world in the wake of the collapse of the Cold War status quo, they say a more potent UN is in danger of becoming a tool of Western interests.

There is a problem with the relationship between the UN and the major Western powers, we can see this in what Bush has been doing in Iraq. The danger is that the West will try and cloak itself in the legitimacy of the UN, says Martin Shaw, a specialist in international sociology at Hull

University. Analysts say that while the West insists on enforcing UN resolutions with its own troops and shuns the idea of a genuinely neutral UN military force to one side, the UN will be vulnerable to manipulation by the West.

At this critical stage, as the UN is attempting to redefine itself in the post-Cold War era, an overtly Western-led UN is in danger of losing its credibility and may, ultimately, self-destruct, warn analysts.

The UN is coming perilously close to being identified with Western hypocrisy and double standards. Saddam's defeat two years ago was the greatest triumph in history for international authority; the priority is to retain that authority so that it can deal effectively with future aggressors, ran an ominously worded editorial in the *Independent* on Sunday.

The issue of the UN's role as a peace-keeping force has gained momentum in the last two years as the disintegration of the former Soviet superpower has unleashed a spate of inter-ethnic wars.

Under the rigid communist regime of the former Soviet Union, such conflicts were prevented from flaring up or fought as proxy wars with the US and thus contained. With the removal of the superpower balance, however, the world has found itself in the uncomfortable position of sitting helplessly on the sidelines watching ethnic groups murder each other in droves.

Its response has been to

turn to the only existing forum for international action, the UN, and give it the mandate to step into the post-Cold War void and act as global policeman.

But as the UN has struggled to define its new role, it has stumbled over a question that goes right to the heart of the institution—the extent to which the UN should be empowered to intervene in the affairs of its member states. The UN is faced with a contradiction. Its charter talks of defending human rights and yet on the other hand it is based on the idea of the sovereignty of international nation states, and built on the premise that nations don't interfere with other states, says Shaw.

He, and other Western analysts, argue that while the UN remains a limp and impotent institution, with its resolutions couched in mealy-mouthed terms, genocide will continue unabated in areas like Bosnia.

The UN needs to be reformed. It needs to codify the precedent of intervention and lay down certain principles, stating that nations should be equipped with a minimum standards and it needs to be equipped with a neutral military force, says Shaw.

In many ways, the idea of an impartial international body

now to say that the West's outrage is selective and there are double standards at play. But it does not detract from the fact that Serbian aggression has not been dealt with and nor have the Palestinian deportees. The United Nations has become a codename for the United States, says Dr Shabir Akhtar, a specialist in Islam and politics.

But some Western analysts argue that the voices of dissent that have been raised in the Third World have not been opposed to the spirit of intervention, but to the uneven way that punishment for breaching UN resolutions have been meted out by the Western allies.

It's more a case of more should be done in these other areas like Israel and Bosnia, rather than nothing should be done in Iraq, says Paul Wilkinson, a professor in international relations at the University of Saint Andrews in

Scotland. The member states of the UN still have the power to transform it into an independent institution that genuinely reflects the interests of all its members, not just the wealthy elite, say analysts.

But, they admit, such a course hinges on the richest states relinquishing their traditional dominant role within the UN and entrusting the world's smaller nations with more power. And on the West abandoning its reluctance to finance a neutral UN military force.

The West has got to listen to Boutros-Ghali's plea for more money, otherwise the UN will always remain dependent on one leading Western nation, says Wilkinson. — Third World Network Features/IPS

Lucy Johnson is a correspondent for *Inter Press Service*, with whose permission this article is reprinted.

OPINION

Our Currency Reform—An Urgent Issue

Free market economy increases global output and is, therefore, a substitute for factor movements.

It changes the face of nations. China has recently tasted the capitalist free economy and brought about unprecedented economic prosperity to its people. Last year the country has achieved the highest 12% growth rate. A tiny country, Nepal, having a very small industrial base has attracted huge foreign investment through its deregulation drive. The country's business activity was shrouded in high protectionism and red tape for three decades. In last December local and foreign investors pledged to undertake 115 industrial projects worth US \$650 millions. Indian investors will undertake 28 projects worth US \$161 millions. Investors from China, Britain and Germany signed up for sizeable amounts. India has scrapped all trade and investment barriers in the last few months. Decades of inward looking policies wreaked havoc on its economy. Currency devaluation is an outcome of the economic reform programme undertaken by the government of India. When state intervention in currency is lifted, Indian rupee falls in value and gradually achieves a realistic exchange rate. In the past, government control kept its currency unrealistically strong and dollars artificially scarce. The currency reform is a very timely move for attracting foreign investments. It is now recognized that the best way to make money in is to let it go out. But it is an unfortunate fact that we could not create a favourable environment for

Choudhury Khaled Saifullah

foreign investment removing obstacles after 22 years of our independence. Government controls, regulations and bureaucratic delays are the major cause of low foreign investments in Bangladesh.

To reasonably analyze and evaluate our exchange rate it may be recalled that the value of a currency is increased or decreased with an increase or decrease of the country's international purchasing power. A country cannot endure continuous deficit in its balance of payments without eventually having to devalue its currency. Our performance in international trade is reflected in the balance of payment and every year there is a huge deficit in the current account. Our autonomous payment exceeds autonomous receipts. Last year's deficit was US \$310 millions. The deficit is covered by accommodating receipts i.e. loans from international agencies. Our total foreign debt tantamounts to US \$11.9 billions. Now it is needless to explain that a nation which generates its external purchasing power by increasing liabilities to foreigners has a very weak currency. Such a currency is not freely convertible outside the boundary of the country. But we are keeping our currency artificially strong by government control. An unrealistic exchange rate discourages exports and foreign investments and spur capital flight.

Moreover, the situation is often misunderstood or misinterpreted by the people when it is explained as an indication of our economy getting stronger.

It is also true that currency reform would not please everyone. Members of the affluent class that has emerged in our society frequently move to Europe or America for treatment or tour and send their children to developed countries for education. The current exchange rate helps fulfill their demand for foreign currency at a cheaper cost, recognizing the changes in global scenario, where trade integration is the order of the day. We have to merge with the mainstream of the world economy. Currency liberalization completes the bridge linking our country to the world economy.

Again difference in price are the basic cause of trade and reflect international differences in costs. Unrealistic exchange rate decreases our comparative advantage. Already, we have a very large deficit in the balance of payment with India both in official and unofficial transactions. India's currency reform will aggravate the situation. It is likely to flood our markets with a further wave of imports from India. This is the right time for our policy makers to take adequate measures for protecting our industries from an unreasonable competition with the surge of low cost Indian commodities. It has also been proved earlier that smuggling cannot be effectively controlled through BDR or police when a difference in price exists between the two neighbouring countries. Currency reform can reduce unreasonable differences in costs and effectively save our economy from a disaster.

The writer is a banker.

To the Editor...

Workshops on roads

Sir, We have two types of public roads in the metropolitan city of Dhaka. One which has a bus route and the other which has no bus route. Both the public thoroughfares are crowded. However, the latter one is always busy and overcrowded.

In most of the metropolitan cities of the world, motor vehicles are allowed parking at some specific places for some specific time violation of which leads one to suffer punishment or fine. In our case, however, it is free for all—drive and park as you like.

We do not know why Dhaka Municipal Corporation has issued trade licence (I) to the traders to set up bus repair workshops on a quarter of a mile length of the busy and crowded portion of Dhaka-Chittagong highway, Dhaka-Narayanganj/Narsingdi/Demra/Admjee trunk road and Dhaka municipal road from Captain Bazar point to Balda Garden point which to the surprise of the city dwellers bears as many as five different names i.e., Captain Bazar Road, Toynbee

Circular Road, Jai Kali Mandir Road, Hatkhola Road and Folder Street.

Buses are parked there haphazardly not only for emergency and minor works but for hours together, days together and months together at a stretch for constructing and making bodies of the buses and painting works. If the Dhaka Municipal Corporation has not issued trade licences how the unauthorised workshops are running there? Why don't the OC Sutrapur, the Traffic Sergeants and the DMC Inspectors look into the matter and take necessary action?

We would request all the authorities concerned to kindly save the people from their untold sufferings of unnecessary road block and traffic jam and to clear the roads in question for smooth movement of vehicles all the time.

O H Kabir Dhaka-1203.

Duty-free import

Sir, Of late much has been heard about promotion of exports in the Textiles sector.

The honourable minister, in seminars, has been overtly optimistic in projecting US\$ 30 billion in textile exports by the turn of the century. Interesting here to note is that Indonesia having a vastly superior infrastructure exports US\$5 billion as of date and plans to double this figure by the turn of the century! The Ministry of Textiles, it is learnt, to achieve this target, is advocating duty free import of materials such as yarn, dyes, chemicals etc and removal of all bonded warehouses from textile industries involved in export. Only sector to be allowed warehouse would be the garments industries.

Now, question naturally arises that since all ingredients for textiles would be made duty free, why not also duty free import of fabrics by anyone so desirous? This would certainly help further flourishing of garments sector and allow abundant availability of fabrics in the market for easy procurement for manufacturing into garments to export.

Abdul Mannan Mia Chowdhury, Noakhali