

The Foreign Hand Guiding India's Economy

Ashok Mitra writes from New Delhi

True, without some strong signal of support from the government and the political leadership, public funds could not have been plundered on such a gigantic scale, and through such blatant disregard of standing rules and instructions.

The Change in Japan

The stage seems virtually set for the seven-party opposition coalition to form the next government in Japan, under the prime ministership of Morihiro Hosokawa, a populist conservative leader.

For a conservative country like Japan, with no experience of practising a two-party system, the change is a dramatic one. However, Hosokawa, the founder-leader of the Japan New Party, who quit the LDP 14 months ago on the reform issue has much going for him.

These positive traits notwithstanding, there already exist some doubts about Hosokawa's experience in many different fields of administration, especially foreign affairs.

If these questions assume serious proportions — here, much depends on the LDP strategy — the seven party alliance can indeed come under severe strains.

However, there are good chances that all efforts will be made, even by moderate section of LDP, to ensure stability of the government.

If the new administration can promote a consensus on these issues and maintain a good working relationship with Washington, there are no reasons why the country's powerful industrial houses, looking for markets abroad and joint ventures, will not go along with the new coalition government.

JU Imbroglia

Jahangirnagar University campus is once again in convulsion. On Thursday last the confrontation was not between student groups but alas between the Jatyaabadi Chhatra Dal, the student wing of the ruling BNP, and the teachers, in which the teachers naturally were on the receiving end.

The trouble once again erupted on the question of the expulsion of yet another JCD worker who was a member of the Syndicate. Until now only the Islami Chhatra Shibir has been known to be crossing the unseen barrier and assaulting the teachers it considers its opponents.

Sure enough, the teachers may have lost enough of the touch with the students — a vital element that ensures a congenial academic atmosphere. But when the ruling party itself indulges in pampering its student cadres — as it did during the earlier trouble in the same university when ministers mediated a compromise between teachers who stood for discipline, and enraged JCD cadres who were adamant to reinstate their expelled comrades no matter if they were offenders — the student-teacher relations are bound to plunge beyond recovery.

ALLEGATIONS against the prime minister posted by the stock-broker from Bombay have in recent weeks claimed the straggle attention as much of the public as of the Joint Parliamentary Committee investigating the widespread misuse of public money in stock market operations which rocked the country last year.

The RBI committee has identified thirty-odd banks and financial institutions which, according to it, were in some manner or other, involved in the perpetration of the grand larceny.

His departure from the scene, however, does not mean an end to all these traits, practiced in the name of democracy, in a country which has spent more time under martial law than under civilian rule since its independence in 1947.

Ironically, Khan, a remarkable survivor of Pakistan's chequered history, was ultimately consigned to oblivion by a man whom he himself helped become the country's prime minister, Nawaz Sharif.

Khan's political death was assured when the Supreme Court, on an appeal from Sharif, overruled his decision of April 18 to dissolve the National Assembly and ask for fresh elections on May 26.

In the six-month political war both sides lost, the winner at least in the short run is former prime minister and leader

changes. It is they who tempted other banks and financial institutions to join with them in illegal and irregular activities offering prospects of high rates of return over the very short run.

True, without some strong signal of support from the government and the political leadership, public funds could not have been plundered on such a

gigantic scale, and through such blatant disregard of standing rules and instructions. That does not however absolve the foreign banks of the culpability for the grave irregularities they committed.

To ensure a return to legality and order in the financial system, the government will perhaps now be forced to undertake a number of remedial measures, including, for instance, increased surveillance over local banks and financial institutions.

posed against the foreign banks which had engaged in innumerable illegal, including criminal, activities. Not one foreign bank has been asked to pack up.

The authorities are obviously impaled on the horns of a dilemma. If foreign banks are neither penalised nor subjected to additional curbs, it would be impossible to eradicate the evil influence they have been exerting on Indian banks and financial institutions.

Were the government in New Delhi on a politically strong wicket, it could have found a way out of the dilemma. It would then have been able to convince itself that restoring the probity and soundness of the country's financial system ought to receive absolute priority.

Bhutto Comes out on Top — for the Time Being

Javed A Malik writes from Islamabad

After weeks of quarrelling Pakistan lost its president and prime minister in a single day. A general election will follow in October. Key players will again be the two ex-prime ministers — Nawaz Sharif and Benazir Bhutto. And a change in leadership will not necessarily mean an end to the intrigues and unethical behaviour that has been evident in past governments.



BENAZIR BHUTTO Her political loss destroyed themselves.

of the opposition, Benazir Bhutto — the internationally known champion of democracy who has at times resorted to totally undemocratic means.

In the end she ensured that two of her biggest political foes destroyed themselves by fighting with each other. She now has to cover this significant victory into the ultimate victory of winning the elections on October 6-9.

That will depend on many factors, including the formation of alliances, fairness of the electoral process — guaranteed by the army — and the way election campaigns are conducted by both sides.

Sharif's major test as a politician will also come in these elections. For the first time since the start of his political career over a decade ago, he goes to the people without any backing of the country's powerful establishment — the bureaucracy and the army.

His better-than-average record as prime minister will help, but the tradition of people not voting for the party and persons previously in power will also haunt him.

The role of the army in this whole affair has been crucial. Despite having the opportunity, it resisted taking over by imposing martial law, as in the past. Instead it began efforts to defuse the situation soon after the crisis started. It also remained strictly neutral, though Sharif's side maintains, it was 'neutral against us'.

The present crisis is especially significant because the army patently ignored efforts on Sharif's part to tarnish its image and give the impression it was divided. Contributing to the provincialism, it kept saying martial law would not come because most of the corps commanders were ethnic Punjabis.

This persuaded the non-Punjabi Chief of Army Staff, General Abdul Waheed, not to impose Martial Law against a Punjabi Prime Minister. In fact,

the army does not operate on these lines, and the command structure has its own way of dealing with issues. Ethnicity does not carry much weight.

The army also made efforts not to become too conspicuous in brokering of a deal between president and the prime minister. The two would have reached no conclusion if they had been left on their own.

Once again the politicians of Pakistan were failing to resolve political issues on their own and giving the army a chance to turn political. All sides agreed that the caretaker group set up to hold elections would consist of neutral people with no political ambitions.

The only exemption is the Acting President, Wasim Sajjad, who belongs to Sharif's Muslim League. This could not be avoided. Constitutionally, as Senate chairman, no one else could take over from Khan.

In the light of this, the major parties agreed on former World Bank No 2 Moeen A Qureshi. He is an economist of extraordinary abilities, better known outside Pakistan than inside.

His appointment also symbolises the economic crisis Pakistan is facing. During the fiscal year ending June 30

1993, Pakistan's GDP growth rate was only three per cent, against a historical average of six per cent. This becomes more significant in the light of a 3.1 per cent annual population growth rate.

The budgetary deficit is estimated at around seven per cent during the same period, while the balance of payments showed a record deficit of \$3.8 billion.

The Sharif government initiated bold economic reforms and was successful in converting a semi-closed economy into a considerably open one in less than two and half years. However, mainly because of political expediency, it adopted a spendthrift attitude, raising the need for huge domestic and foreign borrowing.

Debt servicing will cost the nation 36.5 per cent of its total annual budget during the current fiscal year. The economic problems have been complicated by the recession, reducing exports, and the devastating floods last year which damaged the major export crop, cotton. The government also had to spend huge amounts of money for the relief and rehabilitation of the flood-affected people.

Sharif's government has int-

larger capital inflows should the national financial system be shot full of venality. However important the international linkages of financial intermediaries, they would be unable to attract funds from abroad if the country's system of financial management suffer from a bad reputation.

Unfortunately, a government floundering in all kinds of political trouble will be under considerable strain to act in consonance with this perception of reality. It is likely to continue to give the foreign banks a long rope. Not to speak of other things, it has till now not succeeded to bring these banks under the regulatory discipline of 'priority sector' lending.

The writer is a former finance minister of West Bengal. Syndicated and distributed by Mandra Publication Pvt Ltd, New Delhi.

ated negotiations with the IMF for an Enhanced Structural Adjustment Facility (ESAF) of around \$1 billion for balance of payments support.

The successful conclusion of agreements on this would also lead to Pakistan getting around \$400 million from the World Bank and Japan. The caretaker government is expected to finalise this agreement, which would help relieve the urgent economic pressures and undertake further reforms.

The assured continuation of the economically beneficial free market policies of the previous government. His economic experience should help. But not much is expected on the Direct Foreign Investment (DFI) side by the end of this drive.

The massive drive undertaken by Sharif's government to attract DFI could not produce results. By the time it could generate interest in Pakistan as a destination for foreign investments, the political uncertainty had started to deterring investors.

The next elections and a new government do not mean an end to political problems in Pakistan. A mutilated constitution, greedy politicians, influx of dirty money into politics, and economic underdevelopment are bound to cause a recurrence of political crises.

GEMINI NEWS JAVED A MALIK is a reporter on 'The Daily News' in Islamabad. He was previously with the Daily Jang in Rawalpindi.

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.

Privatisation

Sir, Kindly refer to the news item 'UNDP favours broad consensus Privatisation a Political Process' published in your esteemed daily on May 29, 1993 where it points out that process of privatisation in Bangladesh has taken place for the wrong reasons under wrong conditions and in wrong way.

Privatisation or development of Bangladesh will not be possible by the tendency of accumulation of wealth by any one be he a politician or official or an ordinary individual, in bad way. At present there is a big question how corruption could be eliminated from society.

All sections of people must wake up and declare a virtual war against corruption so that the country can go ahead uninterruptedly with development

activities including success in privatisation. M Alauddin West Nakalpara, Dhaka

System loss of PDB

Sir, The Honorable Finance Minister in his last budget speech stated that PDB had incurred a loss of over seven hundred crore Taka in the last financial year. The loss of DESA must also be very staggering. I congratulate the Minister for calling spade a spade. Although, under pressure from World Bank, PDB and DESA are trying to reduce their system loss, the success achieved so far is only marginal.

It is alleged that more than fifty percent of PDB officials/ employees are not free from corruption. So roughly fourteen thousand of them are playing their part in this loss of seven hundred crore Taka annually and it is the helpless consumers who are paying through their noses. It is impossible that present PDB management can turn down the system loss to a reasonable level — to roughly ten percent which is the international standard. Allegedly it is PDB employees who virtually chase the consumers not to pay

the bill as per meter and to come to an understanding with them. It is an open secret and needs no elaboration. Allegations go that in the name of reducing system loss people in PDB authorities are just buying time to make their fortune. One cannot deny it outright and now is the time to say 'thus far and no further!'

It is felt that nothing short of a surgical operation can cure the situation. The only way to get out of this reckless pilferage is to privatize the distribution system which is, of course, vehemently opposed by PDB trade unions, engineers and staff. But it is national interest which should be the overriding consideration and not the interest of some fifteen thousand allegedly corrupt employees. If the distribution system is privatized 'hire and fire' system will be followed by the private owner in their own interest and public exchequer will be saved from a loss of Taka seven hundred crore annually which will be available for other development work.

As an experimental measure one or two zones of PDB and DESA can be selected and the trial and error method over, it can be extended to the rest of the areas. Let our leadership prove that they have got the grit, wit and will to make practical and pragmatic decision in national interest. They should not concentrate their eyes on a five-year term because one hour's glorious life is worth an age without a name.

Mrs Mornaz Jahan Fulbari, Sylhet

OPINION

Red-tape Hurdles for Industry

WHEN a South Korean economic delegation came a couple of months back, they rated Bangladesh as one of the prospective countries for investing their capital. At the same time they laid stress on improvement of infrastructure facilities and removal of procedural hazards.

Where precisely are these pillars and where precisely are the posts? What are the hurdles that the prospective investors have to face which the 'one-stop' Board of Investment has not yet removed? I asked a businessman.

Import Registration Certificate

One example that he gave concerns obtaining an Import Registration Certificate (IRC). While a commercial importer can get an IRC from the office of the Controller of Import & Export, say in Chittagong or in Sylhet, even within a day, an industrial importer has to undergo a lengthy procedure which has remained unchanged since the days of Pakistan when imports were very much restricted and regulated by the government.

Juned A Choudhury

— commercial and industrial.

A commercial importer has to submit a few documents to the CI&E, such as, Municipal Trade Licence, rent receipt for premises, membership certificate of any Chamber of Commerce or Trade Association, and an IRC and Passbook will be his in no time. Taking advantage of such an easy and streamlined procedure, many importers exist on paper only — making black money mount, no doubt. After obtaining an IRC, a commercial importer can import any item (except banned or restricted ones) of any amount. He can also import industrial raw material in any quantity.

On the other hand, for obtaining an industrial IRC, an industrialist, after setting up a factory, has first of all to apply to the Board of Investment branch office in his area, say Chittagong. (It used to be the branch office of the Director of Industries when the procedure was first set up in Pakistan). An inspector visits the factory to determine the items and the value of the import requirement of the factory. The inspector is a low-level official who has neither the technical know-how nor the education to carry out this onerous responsibility. The branch forwards the assessment of the inspector to the BOI head office in Dhaka. The BOI after necessary scrutiny forwards it to the office of the CCIE. The Chief Controller sends it to the Controller (in Chittagong) who then issues an IRC and passbook — an ad hoc

ones only! One can only imagine the amount of follow-up, file-notes, oiling and greasing that takes place in these various offices to reach this stage.

The factory can start producing only after the raw materials have been imported and they reach the factory after customs clearance. After the import has taken place the industrialist has to repeat the same procedure to obtain regular IRC and passbook in place of the ad hoc ones. His imports remain restricted only to those items that are mentioned in his passbook, whereas a commercial importer has no limits. Again, a commercial importer can import any finished product for marketing, whereas a manufacturing multinational company has to obtain prior permission from the CCIE to do the same.

A question that naturally arises in the mind of a lay man, and which I asked, was why doesn't an industrialist import his raw materials through a commercial importer, or himself wearing a different hat. One of the reasons is that he will have problems in taking the cost of the raw materials in his books of accounts and in satisfying the auditors and income-tax authorities, replied the businessman. He also said that the Chambers of Commerce and Industry do not take up this problem with the government as the Chambers are mostly dominated by commercial importers and indentors and there is a conflict of interest involved.

The writer is a Management Consultant and is the Dhaka Bureau Chief of the weekly Consumer Economist.