

Need for Clear Directives on Investment

Reading through the statement of Finance Minister M Saifur Rahman at the inaugural session of the conference on the economy of Bangladesh, jointly sponsored by the Asian Development Bank (ADB) and the Academy of Planning and Development in the city last week, the question that immediately leaps to the mind is what really is happening? Why is it that despite clear evidences of macro-economic stability, entrepreneurs are not rushing forward to invest?

Only the other day, the Finance Minister had summoned the bankers in the country, both of public sector and privately owned, to take them to task for sitting over their money and not financing investment activities. Now, at this conference, he is saying that lack of entrepreneurial drive is hindering growth. Terming the notion that banks are unwilling to fund private sector investment as erroneous, he is reported to have observed that banks were facing difficulties in finding viable schemes to finance in the industrial sector. Where does it leave us then?

The Minister also berated the incidence of what he called, an overdose of adjustment programme, in the World Bank (WB) designed policy which, as he put it, left no sector untouched. He was not far from wrong in placing part of the blame for slow project implementation, on the cross-conditionality imposed by multi-lateral aid giving agencies such as the WB and ADB, in the projects financed by them. However, it is not quite fair on these agencies to forget that their urge to shift to programme loans, mainly stemmed from the desire of the aid-receiving countries to design projects which would dovetail impacts on other sectors of the economy, so that the aid policy would be a coherent one. Nor would it do to overlook the lag in our own project implementation capability. The successive failures of the Annual Development Programmes (ADPs) to attain the assigned targets bear ample testimony to that.

One might as well argue that the structural adjustment programme designed by the International Monetary Fund (IMF) is succeeding (the Minister claimed so) because the line ministries and their field level agencies are not so much involved in the process. It is the Finance Ministry itself, assisted by its own agencies such as the Bangladesh Bank and National Board of Revenue, with a bit of help now and then from the top of course, who has been mainly instrumental in bringing about macro-economic stability by way of reduced budget deficits, higher revenue collection, low rate of inflation and restored external competitiveness.

A lot of questions have been posed here without providing answers. However, it is the policy makers who have to locate the answers. One can only say at this stage that private sector investment cannot just be talked up. The spin-off from the public sector investment programme could have helped to tone up activities of private entrepreneurs too. However, given the current pace of ADP implementation, there isn't much of an inspiration to draw from that area.

It's also possible to look for pointers in what others are saying. A seminar organised in the city by the Carl Duisberg Samity, right on the heels of the conference noted earlier, also found that private sector investment did not respond to the governments stimulus programme. Speaking at the seminar, a noted economist observed that non-economic factors were getting more important than economic factors in term of investment in the country. He identified uncertainty in industrial policies, labour unrest, low productivity, lack of high technology and corruption as the main factors holding back investors. May be there is something to it.

As in the past, the latest move to stimulate investment by way of lowering lending rates through a repeat dose of bringing the bank rate and the floor of interest rates on deposits down a notch, could again fall flat. Analysts are saying that lowering interests alone will not bring genuine entrepreneurs rushing along. Besides, savers, seeing the return on their money being eroded and bankers, fearful of losing deposits, may alike look askance at the move. It's time that a deeper look at the fundamentals replaces these futile attempts to jump-start investment.

Attack on Newspaper

Once again a newspaper office came under attack. With this deplorable attack on the Akker Kagaj on Friday last, the number of newspaper offices becoming the target for irrational and intolerant furies has stood at three in the last couple of months. Several other establishments such as the Banglar Bani, the Morning Sun, the Ittefaq witnessed a spate of nightly raids on them before these recent incidents. From all the attacks carried out so far, one thing becomes quite clear that the attackers are not ordinary rogues or thieves who did what they did with any motive of personal or material gain.

The pattern in almost all the raids is same: destroying the paper that raises a dissenting voice. Also noticeable is the fact that the journals or journalists blacklisted by the attackers are known for vigorously championing the cause and spirits of the liberation war. This time the attack on the Akker Kagaj followed immediately after it published a report on the activities of the Jamaat-e-Islami and its student wing, the Chhatra Shibir. This has prompted the paper to make those fundamental political organisations responsible for the Friday's insanity. Whoever did it, did it with a sinister purpose and that calls for their immediate apprehension. The police role on the evening however falls far short of the excellence expected of them.

It is a welcome sign that Information Minister Barrister Nazmul Huda has joined in the popular condemnation of the swoop on the paper by the culprits. His protestation that the government is determined to uphold the press freedom is sure to earn him appreciation from different quarters, but the government records so far have not in the least made us convinced of matching his rhetoric with practical measures. Not a single culprit so far could be apprehended and the attackers are making their frightening forays with impunity. Shall we call it a government's default by which the culprits become ever more emboldened to stifle the right to speak the truth and freedom of expression? If the government were serious, as it claims to be to ensure the free flow of information and views, it would take upon itself the duty to create an environment where everyone can speak the truth and nobody dare commit a crime of the order of newspaper attacks.

PROFONERS of managed trade and their detractors alike would have been watching the portents emerging from the US-Japan trade talks in Washington this month with keen interest. To what extent managed trade prevails over both free trade and protectionism would be something to look for.

In essence, managed trade represents a market sharing arrangement. Trading partner countries would set up in advance numerical targets for exchange of goods, usually on a product-by-product approach. The framework for managed trade also entails setting up performance criteria for imports and exports of the items specified, constant monitoring of flow of goods and, of course, periodic reviews. Trade flows would then take on a pre-determined course — much to the chagrin of the free traders.

The nearest analogy of managed trade I can find at home is the bilateral agreements we used to have with the former socialist countries of Asia and East Europe. These agreements would specify the volume of transactions between the two countries in a given year and also set up numerical targets for exports and imports of the goods to be traded. We could trade in this manner without inviting the wrath of the free traders primarily because the socialist countries were not members of the International Monetary Fund (IMF) then. Articles of IMF strictly forbid bilateral trade agreements of this type between member countries. Those days are gone now. What we are doing now to retain our market share in former socialist countries is to extend credit lines to encourage them to buy goods from us. A pristine version of free trade could crown upon this practice too. The new mechanism does act to divert the flow of trade to predetermined channels. However, the developed countries adopted this model first by way of extending huge credit lines to the former socialist states in

US-Japan Trade Talks: A Fresh Dose of Managed Trade in the Offing

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East Europe. So we are safe for now.

Japan's rising trade surplus furnishes the proximate reason for the latest rise in managed trade practices among the major trading nations. Interestingly enough, some of the frustrations of the western world also arises from the success of the poorer countries in making inroads into the traditional markets of the industrialised nations. The spectacle of seeing newly industrialised countries encroaching on their turf prompts some of the thinkers in the west to argue that the rich are getting poorer because of stiffer competition from the poor — all on account of free trade. As the argument goes, by and large the rich nations follow the precepts of free trade (developing countries could very well question this premise) while the poorer nations practice protectionism at home and thus get the best of both the worlds. In the context of the Uruguay Round of global trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT), the European Community (EC) has already called upon the developing countries in Asia and elsewhere to come up with new market opening measures. In effect, the rich nations are saying that even at a time of recession, they have signalled a willingness to open their markets wider to products from the newly industrialised countries and it is now for the latter to respond. Even the GATT Director General is said to have observed recently that Asia is home to some of the most rampant protectionism in the world.

However, analysts see it differently. They say that high tariff walls may have crumbled in the so-called homes of free trade but new trade barriers have come up. Leading industrial nations, they say, have increasingly resorted to anti-dumping procedures to keep products from developing countries off their markets. Some of the analysts maintain that anti-dumping procedures in these countries make use of totally unrealistic price comparisons to protect high-cost domestic industries against more

efficient foreign producers. Well, import quotas for garment exports have made us all too familiar with protectionism in the western world.

Critics say that as with perfect competition, free trade could work only if text-book conditions prevailed. In other words, free trade works only when factors of production are totally mobile and exchange rates follow the precepts of the theory of purchasing power parities (PPPs). This situation, they say, does not obtain in the real world and so, free trade will never flourish.

Be that as it may, faced with an entrenched protectionist lobby at home, even the avowed free traders seem to be veering increasingly towards managed trade. Probably they see it as lesser of the two evils. And as I noted on an earlier occasion, to

give it all a colour of respectability, they are calling out that trade should not only be free but also fair and fair. The sparring between the world's two trading giants, the United States and Japan, provide a ringing example of the tussle between paradoxically both free trade and protectionism on one side and managed trade on the other.

The September US-Japan trade talks are a follow-up action on the framework agreement reached between the two countries last July on reducing

imports to over three per cent of GDP. Washington, on its part, would cut its budget deficits by half in the next four years and keep American market open to Japanese products. However, dispute arose at the very outset over such matters as translating the expression "a highly significant decrease" into specific number as a certain percentage of GDP (2 per cent in this case) and interpreting "Medium term" as three or four that matter, four or five years.

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Even more intractable issues remain to be sorted out. Setting sector-by-sector numerical targets for ensuring increased access into the Japanese market could turn out to be the most knotty of such issues. In earlier negotiations, Japan had stoutly opposed setting numerical targets anew for specific products, saying that it amounted to managed trade. At one stage, Japan's attitude on this issue had even invited derision from some quarters who consider Japan as the citadel of protectionism. However, now it is being generally admitted that of late, Japan had indeed been opening up its market. Still, there are no overt signs that Japan has relented yet on the issue of sectoral numerical performance targets, saying that it amounts to meddling in the private sector which the government should not. Access to government procurement is yet another thorny issue.

The current recessionary

conditions in Japan could slow down the process of opening its markets. Japan's GDP is said to be shrinking. In a gloomy assessment of Japan's economy, the central bank, Bank of Japan, said in its latest survey released ten days ago that business sentiments have worsened in the past three months — its index for major manufacturers at the second lowest point since 1975 oil crisis. A six-month surge in the value of yen till mid-August when it touched 100.25 for one dollar, a rise of about 20 per cent, has added to the woes of the manufacturers, particularly the exporters, by rendering their products less competitive in the world market. In fact, there had been talks that the USA was deliberately supporting a higher yen to reduce its trade deficit.

However, a strong yen would also slow down Japan's economic recovery and its capacity to import more American goods. It will also render penetration of the Japanese market by the American manufacturers costlier by making their investments in infrastructure in Japan more expensive in terms of yen. The air has since cleared up somewhat and Tokyo's latest feelings on this score appear to be more of a relief over indications that Washington is showing understanding of its problems.

The Japanese government is said to have finalised an emergency \$56 billion economic stimulus package. These measures would probably be announced before this piece goes to the press. That's the time when Mr Morihito Hosokawa will also be on his first visit to the United States as Prime Minister. Clearer indications on US-Japan trade relations will probably emerge then. However, after all is said and done, a fresh dose of managed trade seems very much in the offing. In the world of trade, we all are sinners — so said a senior Japanese official some time back. Behind all the big noises about freeing the world trade, perhaps we really are!

ALONG MY WAY

S B Chaudhuri

Japan's trade surplus with the United States which reached a figure of \$50 billion in 1992. Under the framework pact, the two countries are to fix up objective criteria for securing a progressive opening of the Japanese market. The agreement sets the end of the year as the deadline for completion of the task. This leaves some time yet for striking a deal.

By all accounts, the framework pact did not end the discord between the two countries. Differences relate not only to the modalities for evolving criteria for increased market access but also to the interpretation of the pact itself. For instance, Washington wants Tokyo to halve its trade surplus with the United States over the next three years, limiting it to two per cent of Japan's GDP, mainly through increasing its ratio of

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The current recessionary

Jobless Growth Predicted for World Economy

Ian Steele writes from United Nations

Less than one-third of the developing world's growth in productivity can be credited to human labour

workforce during the 1980s.

"Even when output increases, the increases in employment lags way behind," said Mahbub ul Haq, chief architect of the report. Painting a bleak future for the developing world's industrialised future, Dr Haq said, a survey of American transnational corporations showed that while sales worldwide increased by 34 per cent and assets by 78 per cent between 1982 and 1989, their employment rolls remained more or less constant at 6.6 million workers.

The Human Development report estimates that about one billion jobs would have to be created during the present decade just to keep pace with the growth of the labour force. "But if present trends continue, it is extremely doubtful that this job-creation will happen," says Dr Haq, a former Minister of Finance and Planning in Pakistan, now a Special Advisor to the UNDP.

The report explores hopeful examples in East Asia driven by land reform and investments in human welfare in South Korea and Taiwan, as well as Japan's

'three treasures' — lifetime employment, a seniority wage system and enterprise unions. All three countries have had annual economic growth rates of 10 per cent or more, pursued high technology industrial production and kept unemployment below 3 per cent.

In South Korea between 1952 and 1954 the percentage of farmers who were owners rather than tenants increased from about 50 to 94 per cent, with the result that between 1954 and 1968 the amount of labour employed on each hectare of land increased by 4.7 per cent a year.

In Taiwan, between 1952 and 1968, the numbers employed in agriculture following land reform increased from about 400,000 to 2 million. "Using multiple cropping techniques, accompanied by irrigation facilities and improved ma-

ter management, the farmers were also able to grow fruits, pulses and vegetables," the report states.

"These opened up more job opportunities after harvesting since they required more processing — whether drying, pickling, canning, freezing or dehydrating. In Taiwan in the late 1960s, the number of workers in food processing rose from 11,000 to 144,000."

A simultaneous investment in health, education and job skills prepared the workforces of all three countries to take advantage of new technologies and production methods and to develop a framework for the growth of private enterprise.

The Human Development Report notes Japan's strength in developing an economic community which people not only work in but belong to, al-

though the sustainability of lifetime employment is now in question. It states that most developing countries and many industrial countries, have been slow to pick up on these lessons.

"Many of their workers have skills that are out of date or inappropriate for the fast-changing environment of the late 1990s. And in some cases, a striking mismatch between supply and demand leads to high unemployment even among the more educated."

The report observes that in Asia, the least educated often have the lowest recorded unemployment rates because they are usually involved in informal subsistence activities.

"In India, while the unemployment rate in 1989 for people with no education was 2 per cent, unemployment for those with secondary education was 9 per cent, and for university graduates 12 per cent," the report states. "In Bangladesh, about 40 per cent of people with a masters degree are either unemployed or underemployed. In Thailand, during 1973-83, unemployment rates among university graduates ranged from

20 to 35 per cent."

The problem, according to the report, is a fundamental mismatch that could be tackled in the short term by offering the unemployed more vocationally-oriented training and by giving the private sector more incentive to employ these people. In the long term, however, countries will have to adjust their education systems so that people acquire relevant skills from the very basic level of literacy to university training.

Other prescriptions offered by the UNDP Human Development Report include:

- * Encouragement for small enterprises as in the case of Singapore, Malaysia and the United States;

- * Increased access to investment capital for the private sector, and small farmers, entrepreneurs and women in particular;

- * The protection of workers through regulated working conditions and minimum wage standards;

- * Social safety nets to look after temporary victims of market forces and bring them back into the workforce through re-training, access to credit and other opportunities.

* Freedom from arbitrary government controls and regulations. — *Dephneus Asia*

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.

"The Rot : How it Started and Spread"

Sir, Professor Siddiqui's article, 'The Rot : How it Started and Spread', published in The Daily Star of 10.8.93 contains inadequate information. It is a fact that politics returned on the campus with Ziaur Rahman but it is not a fact that, before that time, 'students were organised loosely and informally affiliated with political parties.'

The fact is that, in the Ayub-Monem period, the student community, till that time, had groups organised with different ideologies such as, 'Chhatra Union', 'Chhatra League', and other minor ones, was penetrated with money and arms and placement of Ayub-Monem 'hired and purchased' VCs and the NSF was organised. The then VC of Dhaka University, Dr Mahmud Hussein, was replaced by Dr M O Ghani and the first ever violence as beating a teacher (Prof Mahmood) by hired goons (some say NSF goons) was there on the campus. Names of enrolled students like 'Khoka', 'Pass Partoo' and their activities on the campus and their affiliation and dedication to the Ayub-Monem party should not be forgotten so early. So it cannot be stated that the students were loosely associated with party politics before Ziaur Rahman.

Who does not know that, in 1969-70, Chhatra League was fully dedicated to Awami League and in the DACSU election, it had sweeping victory with bless-

ings and active support of Awami League and Bangladeshh? Ziaur Rahman wanted transparency and accountability to be established and ordered the parties to openly own their student fronts along with their activities. There was nothing wrong with it.

The starting of the rot, at least in the DU, was with the refusal of the then VC, Dr Hussain, to use and patronise the students rallying behind the Ayub-Monem party and acceptance to accomplish the mission by the replaced VCs (who must have had their valid reasons).

An old citizen

Goods carrying by Railway

Sir, It has been observed with much regret that Bangladesh Railway's goods carrying sector has proved to be a great failure. The main reason of incurring losses by BR is, believably, its inefficient goods carrying management. Although the high officials of BR try to attract industrial sectors assuring faster delivery of their goods through BR but in reality their wagons move at snail's pace.

Millions of kgs of tea is despatched to Chittagong auction from greater Sylhet district but it has been observed that sometimes tea-booked wagons remain traceless instead of reaching Chittagong. One wagon of Tea of our Tea Estate

was booked on 30/6/93 Vide RR No. 094588, R. Wagon No 53363 from Jurl Railway station which reached Chittagong on 30/7/93. Such a month-long delay has caused a great loss to the Estate and the Government as well. If the goods carrying sector cannot be improved in any way, we think the provision needs to be simply withdrawn as early as possible.

Motius Samad Chowdhury, Phulitola Tea Estate, Sylhet.

Vending death blow !

Sir, Vending at public places such as pavements, roadsides, overbridges etc. are probably not permitted in the traffic laws as far as my guessing goes. The vendors at these places are no doubt a kind of nuisance contributing only hindrances to the free movement of people and traffic as well. We can assume by the brisk business run by these vendors under the very nose of the law enforcing agency and the illicit practice being allowed to flourish unabated at the cost of public inconvenience could only be possible through some kind of appeasement rendered to the authority concerned by the vendors.

How much does this nuisance cost could be perceived by the tragic incident in which a life of a promising doctor was put to an end by some British street vendors. The loss of this life is immeasurable; the effort put behind to build up a doctor in our country is well known to all. I would say they vended a death blow. It is alleged that the police stalking the area during the incident were mere bystanders.

It vividly reflects and raises the question of sincerity, honesty and credibility of the law enforcing agency. Recently the

police seems to have swung into action in evicting these street vendors and booking some of the suspects following vehement protest and condemnation of this brutality. Had they been that much sincere to their act in the first place, the death of the doctor could have been averted. We demand the stinging punishment of the killers whose lack of civic sense led to the death of a doctor.

Md Jalaluddin Iqbal, Mohammadpur, Dhaka.

To President Izetbegovic

Sir, Through your esteemed daily, I would like to humbly but resolutely say to the honourable Bosnian President Alija Izetbegovic: With me the entire civilised world is watching your heroic defensive battle in Bosnia, with well-placed confidence in your leadership qualities and in the courage of your Bosnian Muslim troops. In your situation, there can be no thought but to persevere, to yield not one yard, to retreat not a foot but to hurl every man and every gun into the battle.

World opinion is with you, NATO is considering air strikes against the Serb aggressors and the UN is doing its utmost to look after the innocent men, women and children caught in this battle.

"Superior they may be, but the enemy must surely be declining in strength. It will not be the first time that will-power has triumphed over stronger battalions of an enemy. To your lion-hearted troops, therefore, you can offer only one path — the path which leads to victory or death."

Masud Sohal, Mohammadpur, Dhaka.

OPINION

Feedback on FAP

A Mawaz

It was heartening to see a mofussil news item on the front page of The Daily Star (Aug 18), namely, about the ADAB open meeting held in Jamalpur to get feedback on the Flood Action Plan/Programme (FAP).

Reading the story remained me of my own experience while coordinating regional technical assistance programmes for the institutions in the developing countries in the Asia-Pacific region. It was interesting to find that the responses from the prospective applicants could be grouped into four categories: (a) those unable to identify the problems; (b) those who were aware of the local problems, but were not sure what type of assistance to ask for; (c) those who asked for specific assistance, but it was not enough, or of the right type; and, (d) those who knew exactly what to ask for, and put up excellent supportive documentation.

To assist the first category of recipients of assistance, a technician had to be despatched from the regional office to identify the problems and the possible solution. In one case, the visiting expert found (in a Pacific island) that it was a local human problem, and not technical; that is, lack of coordination with the other local agencies. In another case, local resources were adequate to solve the problem, but outside assistance was sought. The typical scenario in the DCs and LDCs is like this: under-qualified, under-experienced, and under-trained staff, who have problems operating and maintaining the old equipment, and greater problems coping with new and modern equipment.

Hence the basic requirement or need is the development of the human resources (DHR); in other words, training. Training programmes have tiers: basic academic qualification; basic training; orientation course for the new entries at the institution level; middle-level training at the national level; and specialised training at the regional level (small countries cannot afford the infrastructure). The training of the trainers is another big part of any DHR project, to keep pace with the fast changing technology.

The FAP well wishers and critics are concerned with the proper feedback from the basic user levels. The local counterparts or experts associated with a project should be able to provide satisfactory inputs, being sons or daughters of the soil.

What is unfortunate is when doubts and questions are sought to be converted into propaganda campaigns. This local tendency has to be discouraged. For example, the extended banking hours are being resisted by a few unions just for some personal inconveniences. What is amazing to note is that a national policy is being rejected after the operation has started! The implications could have been raised during the policy planning stage. Once implemented, only the teething troubles have to be removed; and periodical reviews be conducted as per standard practices. Let us hope our big projects such as the Jamuna Bridge, FAP and the Coal Extraction projects would not die out due to excessive anti-enthusiasm!